EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Austria	[illegible]	Indonesia	[illegible]	Pakistan	[illegible]
Bahrain	[illegible]	Iran	[illegible]	Philippines	[illegible]
Belgium	[illegible]	Israel	[illegible]	Poland	[illegible]
Cyprus	[illegible]	Italy	[illegible]	Portugal	[illegible]
Denmark	[illegible]	Jordan	[illegible]	Qatar	[illegible]
Egypt	[illegible]	Kuwait	[illegible]	S.Arabia	[illegible]
Finland	[illegible]	Lebanon	[illegible]	Singapore	[illegible]
France	[illegible]	Lux	[illegible]	Spain	[illegible]
Germany	[illegible]	Malaysia	[illegible]	Sweden	[illegible]
Greece	[illegible]	Morocco	[illegible]	Switz	[illegible]
Hong Kong	[illegible]	Neth	[illegible]	Thailand	[illegible]
Hungary	[illegible]	Nigeria	[illegible]	Tunisia	[illegible]
Iceland	[illegible]	Norway	[illegible]	Turkey	[illegible]
India	[illegible]	Oman	[illegible]	UAE	[illegible]

EUROPE

Britain's plan for a hard currency unit

Page 13

World News

Ulster bomb kills nun and three police officers

A nun and three police officers died when a huge bomb exploded near Armagh, Northern Ireland. The blast lifted the unmarked police vehicle into the air, killing its occupants instantly.

The nun was in another car on the same road. A second woman travelling with her has serious injuries. Page 6

Doe mansion shelled

A rebel gunboat attacked Liberian President Samuel Doe's seafront executive mansion in Monrovia before dawn, firing six rounds at the fortress-like building where the president is holed up with his few remaining loyal troops. Page 3

Amoco Cadiz ruling

A US federal judge in Chicago awarded $156m in damages to the French Government and other interests harmed by the 1978 oil spill from the supertanker Amoco Cadiz off the Brittany coast. Amoco is to appeal.

Plant to be viewed

Czechoslovakia has agreed to allow outside experts to inspect a controversial nuclear power plant close to the Austrian border about which environmentalists have expressed concern.

Helicopter tested

Israel's aircraft industry said it had tested the world's first unmanned helicopter. It added that the Navy could use the $4m aircraft, named the Helistar, to locate ships at sea. Each will cost $4m.

Lebanon shoot-out

Shia guerrillas fought hand-to-hand in south Lebanon after pro-Syrian militiamen crept through a hail of gunfire to attack positions held by Tehran-backed radicals.

Motorists unite

East Germany will scrap its vehicle licence plates in favour of the West German system from January 1, the Interior Ministry said in East Berlin.

Strike cripples Kiev

Public transport workers in Kiev, capital of the Ukraine, went on strike demanding better pay and conditions, in the latest manifestation of Soviet industrial unrest. Page 2

Koreans disagree

North and South Korea rejected each other's proposals for discussions on a limited opening next month of their heavily fortified border.

Action on chemicals

West German environmentalists plan to sue their government to stop US chemical arms being taken by road and rail through densely-populated areas during their removal from the country.

ANC man seized

Police arrested a black African National Congress member on arms charges moments after he left the shelter of the US consulate in Durban. He had earlier sought political asylum.

Mohawks accused

A Canadian minister caused a political row by accusing Mohawk Indian militants with creating "armed insurrection" in a two-week-old land dispute near Montreal. Page 4

Communists win

The ruling communist party appeared assured of a landslide victory in Mongolia's first free elections after preliminary results from Sunday's first-round voting.

St Tropez cover-up

St Tropez, the French resort that gave the world topless bathing, is divided over official attempts to force nude bathers to cover up or be fined. The mayor announced a crackdown on "exhibitionists."

Business Summary

Reuters stock falls 15% on news of screen cancellations

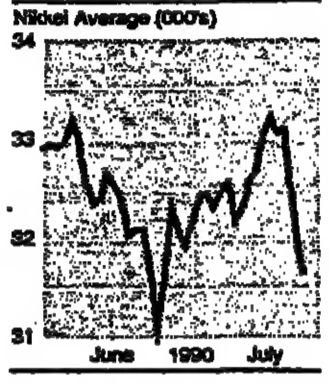
Shares in Reuters Holdings fell by 15 per cent after the financial information and news group said that cancellations of its screen-based services to the world's financial markets had increased.

Reuters, which has been one of the best performing stocks in London in the last 18 months, saw its shares close yesterday 184p lower at 1045p. Page 15

MARKETS: Tokyo managed to keep its nerve in the face of Wall Street's sharp overnight fall, but high interest rates continued to plague the market and share prices finished lower for the third day

Japan

Nikkei Average (000's)



running in quiet trading. Most European bourses showed resilience also, although Milan fell more than most. Oil stocks were firm across the Continent on expectations of higher oil prices. Back Page, Section II

AIRBUS subsidies, the subject of a long-simmering trans-Atlantic row, have abruptly resurfaced with a decision by the Bush Administration to make a formal complaint on the matter to the General Agreement on Tariffs and Trade. Page 4

MORGAN Stanley, one of the leading Wall Street securities houses, reported that its net income had virtually halved in the second-quarter compared with a year ago, largely due to sharply lower revenues from investment banking and trading. Page 15

TRADE officials began searching for new negotiating procedures to help revive the flagging Uruguay Round talks. Page 4

NEW Zealand Finance Minister David Caygill, delivered a budget that emphasised social welfare concerns, while promising a financial surplus of NZ$89m ($52m) in the 1990-91 financial year. Page 3

KLM Royal Dutch Airlines, which earlier this year reported a 9 per cent fall in 1989/90 net profit, warned that its results would remain under pressure due to currency movements and high fuel prices, among other factors. Page 16

PEPSICO, US soft drinks manufacturer, announced a 10 per cent rise in second-quarter net income, powered by strong growth in all of its three business areas. Page 18

ALAN Bond, financially troubled Australian businessman, is believed to be considering legal action against the shareholders of British Satellite Broadcasting, the satellite venture in which he was once the largest shareholder. Page 15

BASF, West German chemical company, said it wants to buy an East German plastics company, Synthesewerk Schwarzheide, with a turnover of around DM600m ($365.8m). Page 16

SEARS, Roebuck, world's largest retailer, reported a disappointing net income for the second-quarter of $237.9m, or 69 cents per share, from continuing operations compared with $334.9m or 95 cents per share for the same period a year ago. Page 18

Deutsche Bank engages in the battle of Königsberg

By Quentin Peel in Moscow

IT MIGHT almost be called the second battle of Königsberg. Dr Wilhelm Christians, chairman of the supervisory board of the mighty Deutsche Bank, was wounded in the first battle: that bloody confrontation which marked the advance of Soviet troops into East Prussia and the beginning of the end of the German Reich, in the Second World War.

Now he is determined to throw the considerable financial muscle of his institution into a new campaign – to turn the former Königsberg, now firmly renamed Kaliningrad by its Soviet masters, into the first truly international free economic zone of the Soviet Union.

"In spring 1988 I made the proposal to open this area and try to sponsor co-operation there," he said in Moscow yesterday. "Mr Nikolai Ryzhkov (the Soviet Prime Minister) answered that it was impossible for the next 40 years," because the area is a key military zone.

This week Dr Christians saw his personal dream come one big step closer, when he was finally allowed to visit the area with a delegation from the bank.

That gesture, he believes, was possible only after Chancellor Helmut Kohl agreed with President Mikhail Gorbachev that the existing Soviet borders – incorporating Königsberg and the former East Prussia – would be recognised in a new treaty between the former antagonists.

Yet the whole idea of opening up East Prussia once more, especially with such a major German sponsor, is acutely sensitive. Dr Christians is determined that it must become a truly international initiative, and not just a German one.

"We compared it to Alsace-Lorraine and Strasbourg. That is now a province of France, where Germany has its biggest investment, and Strasbourg is a European city. Königsberg could be another Strasbourg."

Dr Christians was invited at the initiative of the local mayor, Mr Nikolai Khomenko, whose city council is desperately keen to open the whole region to the outside world, and to tourism. The problem is that the Soviet military, for whom the ice-free port of Kaliningrad is a vital facility, is much more suspicious. Nonetheless, tourists are now allowed in, as a major concession, for just four hours a day.

"I was warned that the area is in a very sensitive position, due to the reunification of Germany," Dr Christians said. "I emphasised from the start that there is no intention to Germanise the territory, but rather to internationalise it."

"If they can manage to internationalise themselves, they could really be a gateway into Russia," says Dr Axel Lebahn, Deutsche Bank's top Soviet specialist. "They can keep it Russian, but only with German

Continued on Page 14

Soviet Finance Minister profile, Page 2

UN, world leaders appeal for calm as Gulf tension rises

By Victor Mallet and Steven Butler in London and Lionel Barber in Washington

THE UNITED Nations, the US and Britain joined Arab leaders in appealing for calm in the Gulf yesterday after confirmation that Iraq had moved up to 30,000 troops towards the Kuwaiti border.

In Washington, the Pentagon reiterated the US Administration's resolve to support its Gulf allies and said it was conducting a naval exercise at short notice with the United Arab Emirates.

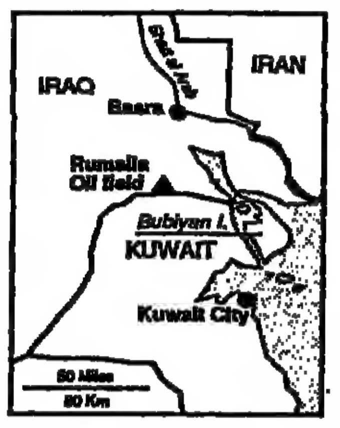
Oil prices continued to rise yesterday. Over the past week President Saddam Hussein of Iraq and his ministers have threatened Kuwait and the UAE for flouting their Opec quotas and undermining the oil market.

Iraq, intensifying the pressure ahead of this week's Opec meeting in Geneva, has also revived a border dispute with Kuwait and demanded $2.4bn for oil "stolen" by Kuwait from a field which straddles the *de facto* frontier.

Mr Marlin Fitzwater, White House spokesman, said the US was concerned about the Iraqi troop build-up. "It is a delicate situation. We urge all parties to avoid violence," he said. The State Department added: "Iraq and others know there is no place for coercion and intimidation in a civilised world."

The Foreign Office in London said it was following events closely. "We continue to believe that the dispute between Iraq and Kuwait should be settled by discussion and peaceful means," it said. "We would deplore any threat or use of force."

Mr Javier Pérez de Cuéllar, UN Secretary General, said he hoped for calm. He anticipated neither an Iraqi offensive against Kuwait nor US intervention.



President Mubarak: mediation

The US Government, however, said the US remained committed to ensuring the free flow of oil through the Straits of Hormuz.

There are six US ships in the Gulf - the flagship USS LaSalle, four destroyers and a frigate - in the US Joint Task Force Middle East. They have been on patrol since Kuwaiti oil tankers sought protection under the US flag from Iranian attack during the Gulf war, but US officials said yesterday that Washington has no treaty obligation to defend Kuwait.

World oil prices rose by 50 cents a barrel yesterday morning as news of the Iraqi troop movements reached the markets. Some of these gains were later given up, however, and North Sea Brent crude for September delivery closed up 30 cents at $19.575 a barrel in European trading.

Mr Issam al-Chalabi, the Iraqi Oil Minister, reaffirmed Iraq's policy of pushing the oil price up to $25 a barrel before allowing any increase in the overall Opec production ceiling.

The Iraqi News Agency said Iraq had demanded an Opec benchmark price of $25 a barrel with an eventual goal of $30 a barrel, and a vigorous debate is expected on whether to raise the reference price from the current level of $18.

Arab leaders redoubled their attempts to calm the situation yesterday. President Hosni Mubarak of Egypt saw President Saddam of Iraq and Sheikh Jaber al-Ahmad al-Sabah, the Emir of Kuwait, before going on to Saudi Arabia. Mr Chedli Klibi, Secretary General of the Arab League, also pursued his mediation efforts.

Opec talks, Page 24

Greenspan plays down cut in US interest rates

By Peter Riddell, US Editor, in Washington

MR Alan Greenspan, chairman of the US Federal Reserve, yesterday appeared to dampen expectations of an early further cut in US interest rates by warning about recent inflation trends.

However, his comments to the House Banking Committee retained their familiar subtlety - or as some see it ambiguity - leaving the markets uncertain about the direction of Fed policy.

Mr Greenspan said that the 0.5 per cent rise in US consumer prices in June added "a note of caution" to the inflation outlook and, if continued, would "clearly be very troubling." He reiterated the Fed's commitment to long-term price stability.

He also said the latest inflation figures represent "a lagging phenomenon," and recent movements of non-financial credit and the money supply indicated that inflation was likely to move down. In many respects, the published rates of inflation were history: "We really look at credit conditions first because that's an earlier version of the inflation process."

There was no clear reaction in US financial markets to Mr Greenspan's remarks, but the mood remained defensive on concerns about inflation, political tension in the Middle East and more disappointing US corporate earnings.

Surging oil stocks helped the Dow Jones Industrial Average hold steady early in the session but then selling resumed. At one point, the Dow was quoted nearly 30 points lower but then started

Continued on Page 14

The pains of dependency, Page 13; Markets, Page 36

Brussels to act against Dutch coffee merger

By Lucy Kellaway in Brussels

THE European Commission is today likely to ask two big Dutch coffee companies to unwind part of their merger 18 months after it took place, in one of the most drastic examples of the Commission imposing terms on a takeover after the event.

The Commission's move is particularly sensitive as the EC merger regulation, which is designed to end uncertainty for businesses over EC merger policies, takes effect in just two months' time. Companies will be concerned that the Commission has decided to act over a merger which produced market dominance in a narrow market within the EC, rather than over the EC as a whole.

Sir Leon Brittan, the Competition Commissioner, has decided that the Fl 1.39bn ($750m) takeover in February last year by Douwe Egberts, the leading Dutch tobacco, coffee, tea and toiletries company, of its biggest Benelux rival in coffee, Van Nelle, was illegal.

The deal provided the two companies with some 70 per cent of the Benelux coffee market, which Sir Leon believes consitutes an abuse of monopoly position, which is prohibited under Article 86 of the Treaty of Rome.

His decision – which has involved considerable friction within the Commission – shows how seriously he plans to police competition in the single market, whether within one member state or in the Community generally.

Mr Frans Andriessen, the liberal Dutch Commissioner who was formerly in charge of competition, has strongly opposed Sir Leon's decision. He has taken up the Dutch argument that competition in the Benelux market is not necessarily the concern of Brussels, which is only empowered to look at "the common market, or a substantial part thereof."

The Dutch feel that in a single market covering 12 countries the Commission should no longer look at markets which are as discrete as that in Benelux.

By contrast, the Sir Leon insists that in the single market it becomes particularly important that all companies get fair access in all countries. He is also concerned to stop member states trying to protect their positions in their domestic markets through mergers once barriers come down.

The Commission announced its investigation into Douwe Egberts, which is owned by Sara Lee, the big American food company, in May last year. Since then it has been trying to negotiate a settlement with the companies, and today's tough demand follows the breakdown of those talks.

Sir Leon has the power to order that the merger be entirely unpicked, although he could equally ask for Van Nelle's coffee interest to be sold. It was not clear last night which course he had chosen.

According to the companies, coffee accounts for only 17 per cent of Van Nelle's turnover. Dutch officials have also claimed that if the merger regulation were in place now, the Commission would have no power to intervene. They claim the turnovers of the two companies fall below the Ecu5bn ($6.3bn) threshold under which the home authority will be given sole power to vet mergers.

UK defence budget faces fresh cuts because of overspending

By Philip Stephens and Alison Smith in London

BRITISH Government hopes that cuts in the defence budget would provide a pre-election "peace dividend", freeing resources for other key public services, have suffered a further setback because of continued overspending by the Ministry of Defence.

Mr Tom King, the Defence Secretary, is expected to outline to MPs today plans for wide-ranging cuts in spending on the army, navy and air force over the next five to 10 years in response to the end of the cold war.

The proposals, involving a sharp reduction in the size of the army, the closure of a number of RAF bases and lower ceilings for the Navy's complement of frigates and submarines, represent the interim conclusion of Options for Change, the Government's defence review.

Mr King has also prepared an entirely separate package of emergency savings totalling over £500m ($910m) to meet a projected overshoot in this year's £21bn defence budget. That will follow the first-year saving of £60m from last month's announcement that the RAF is scrapping plans to buy another 33 Tornado fighter aircraft.

Britain could cut its defence spending by 50 per cent in real terms by the end of the century and still retain adequate forces to meet its defence commitments, if the Soviet military threat to Western Europe continues to decline, according to an independent report. Page 6

The Ministry of Defence argues that the additional short-term savings will bring its spending this year back within budget.

According to reports circulating among senior ministers, however, the overshoot threatens to be closer to £1bn, and Mr King may be forced into a further set of economy measures later in the year.

Ministers believe also that the emergency cuts – designed to offset the impact of higher inflation – will make it significantly more difficult to secure further savings in the 1991-92 financial year starting next April.

Some ministers had hoped that more than £1bn could be diverted from defence to other areas such as health, education and the environment to reduce the impact of the Treasury's squeeze on the overall level of spending.

The Treasury is expected to continue to press for such a figure, but there is acknowledgement that the growth that had originally been pencilled in for next year's defence budget has already been wiped out by higher inflation.

The chiefs of staff of the armed forces are thought to have told Mrs Margaret Thatcher last week that attempts to force the pace of savings would risk serious dislocation of Britain's defence capability.

The Options for Change measures – finalised by a ministerial committee yesterday and due to be approved by the full

Continued on Page 14

Britain unlikely to meet inflation target, Page 14

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US Supreme Court candidate protected by a wall of mystery

David Souter (left), a little-known judge from New Hampshire, has been nominated by President Bush to fill the vacant seat on the US Supreme Court, temporarily disarming critics both on the left and the right.

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MARKETS

STERLING
New York lunchtime:
$1.81285
London:
$1.8255 (1.8215)
DM2.955 (2.965)
FFr9.9075 (9.945)
SFr2.51 (2.5275)
Y271.0 (270.5)
£ Index 93.7 (93.8)

GOLD
New York: Comex Aug
$368.4 (369.7)
London:
$369 (368.25)

N SEA OIL (Argus)
Brent 15-day Sep
$19.575 (19.275)

Chief price changes yesterday: Page 15

DOLLAR
New York lunchtime:
DM1.6175
FFr5.4275
SFr1.3750
Y148.25
London:
DM1.6185 (1.628)
FFr5.4275 (5.46)
SFr1.375 (1.388)
Y148.4 (148.45)
$ Index 65.2 (65.3)
Tokyo close:Y148.7

US lunchtime rates
Fed Funds 8%
3-mo Treasury Bills:
yield: 7.74%
Long Bond:
$101\frac{13}{32}$
yield: 8.56%

STOCK INDICES
FT-SE 100:
2380.9 (+1.2)
FT Ordinary:
1866.7 (-0.4)
FT-A All-Share:
1160.91 (+0.1%)
New York lunchtime:
DJ Ind. Av.
2,896.78 (-7.92)
S&P Comp
353.3 (-2.01)
Tokyo: Nikkei
31,702.46 (-192.33)

LONDON MONEY
3-month intbnk close:
$14\frac{31}{32}$-$14\frac{5}{16}$ ($14\frac{13}{16}$)%
Liffe long gilt future:
Sep $84\frac{25}{32}$ ($85\frac{7}{16}$)

EUROPEAN NEWS

East German coalition begins to break up

By Leslie Colitt and agencies in Berlin

EAST GERMANY'S five-party governing coalition began to unravel yesterday when the Liberal party walked out in a feud over the timing of German unification in December.

The departure of the Liberals, who command 23 seats in the 400-seat parliament, left Prime Minister Lothar de Maizière's governing majority intact but threatened to disrupt careful inter-German preparations for unification.

The walk-out does not necessarily signal the break-up of the coalition, although it may make it more likely that the Social Democrats will follow suit later in the week.

Even if that happens, the minority CDU government could carry on until the December elections. The coalition will have to break up eventually, since the SPD and Liberals will be fighting the CDU in the poll.

Nevertheless, the split may make the government's task of pushing through key legislation on the economy more difficult and agreement on whether or not elections should be held before or after German unification could be more elusive.

Yesterday's action is also likely to exacerbate tensions within the West German coalition, where the Liberals are in partnership with Chancellor Helmut Kohl's CDU.

Speaking after party members met the premier in a last ditch effort to resolve the impasse, Mr Rainer Ortleb, head of the Liberal group said Mr de Maizière had made it impossible to continue in a coalition.

West German leaders earlier denounced the quarrel in East Germany's first freely elected government as a farce involving amateurs and urged Chancellor Helmut Kohl to bring them to heel to keep the unity train on track.

For most East Germans the crisis in the coalition could have been taking place on another planet.

They have been more concerned about the prospect of unemployment and having to pay twice their present rent in a few months.

Undeniably, the wrangle to gain an advantage in the elections had done little to improve the reputation of East German politicians.

A random survey of East Germans yesterday confirmed a conviction that their government mattered little any more. "The whole issue will be solved in a few months when our government disappears" Ms Susanne Rusz, a secretary in an East Berlin ministry, remarked with an eye to unification. Bonn was made all the decisions anyway, she added.

Editorial comment, Page 12

Brussels eases UK fears over rules for workers' hours

By David Buchan in Brussels

THE European Commission is likely today to propose minimum rest periods for workers across the Community, after modifying earlier plans in a way that eased, but by no mean removed, UK objections.

The draft directive would give workers at least 11 hours' rest in every 24-hour period, and one day's rest in seven, averaged over a fortnight. The proposal would also limit night work to eight hours in any 24-hour period, also averaged over a fortnight.

Greater flexibility would be allowed in the case of seasonal work such as tourism or agriculture and special sectors like off-shore oil drilling. These concessions, plus a slight scaling down of the rest periods prescribed in earlier versions of the Commission plan, "go in the right direction", UK officials said yesterday.

But officials of the UK and Unice, the European employers' federation, still claimed yesterday that working hours were neither a proper area for central EC legislation nor a factor bearing significantly on health and safety. Because the Commission says health and safety issues are at stake, its plan can be approved by a qualified majority of EC governments, meaning that the UK could be outvoted.

Mr Zygmunt Tyszkiewicz, Unice secretary general, noted there was a worldwide trend to longer shifts. being worked over shorter periods, partly to give industry the flexibility to make more use of its plant. He said this should be a matter for workers to decide. He also claimed that the Commission provisions on night work would still not cater for the odd hours that such diverse groups as butchers, newspaper printers and discotheque operators have to work.

But the Commission says EC-wide minimum requirements are needed to ensure that workers' well-being and health are not harmed. It cites evidence of the risks accompanying long work stints, saying among other things that night workers have to resort to pep pills at night and sleeping pills during the day.

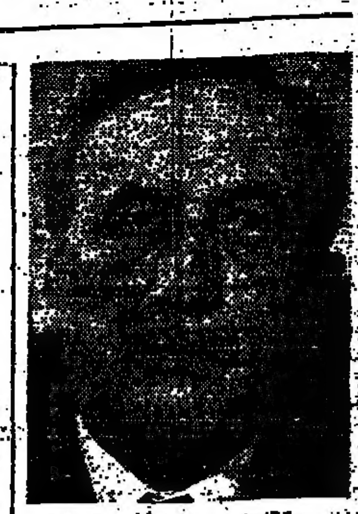
At present, all EC states, except the UK and Denmark, have laws on the maximum daily working period, but allow many exceptions. In most EC countries 48 hours is the limit for the work week, but according to the Commission normal weekly working hours range from 37 to 41 hours, except for Portugal, where the average is 44 hours.

However, it is the increase in shift and night work that appears to exercise the Commission most. On average some 20 per cent of EC employees do shift work, with the highest ratio in the UK and Spain (29 per cent) and the lowest in Germany, Portugal and Denmark (below 15 per cent).

WEEKLY WORKING AND OPERATING HOURS IN INDUSTRY

Member state	Operating hours	working hours*
Belgium	77	37
Germany	58	38
Greece	64	40
Spain	69	40
France	69	39
Ireland	61	41
Italy	73	39
Netherlands	74	39
Portugal	54	44
UK	76	37
Europe (10 nations)	66	39

* full-time
Source: Special EC labour market survey, European Economy Supplement B, 11.1989



Mazowiecki: saying nothing

Mazowiecki presidency challenge floated

By Christopher Bobinski in Warsaw

MR LECH WALESA, the leader of Poland's Solidarity union, could face a challenge in his bid for the country's presidency from Mr Tadeusz Mazowiecki, the Prime Minister.

Mr Mazowiecki's candidacy has been proposed in yesterday's Po Prostu, a Warsaw weekly which reflects thinking in Solidarity's Democratic Action group. This faction, led by Mr Zbigniew Bujak and Mr Wladyslaw Frasyniuk, heroes of Solidarity's underground years, has made opposition to Mr Walesa's presidency drive a cornerstone of its policies.

Po Prostu says General Wojciech Jaruzelski is ready to step down as President in the autumn, although his spokesman yesterday denied this was the case. Mr Mazowiecki, for his part, is remaining silent on the matter.

Under the constitution, the President, who has another five years of his term to run, can only be replaced if he decides to resign or parliament declares him incapable of fulfilling his office.

Democratic Action, which plans to establish itself formally at a congress next Saturday, has steadfastly defended Mr Mazowiecki's Government from criticism by Mr Walesa's supporters in the Centre Agreement, another Solidarity faction. The group has attracted some 40 of the 259-strong Solidarity caucus in parliament. Last week, it began to canvass support for constitutional amendments which would allow a presidential election on a national ballot to be held in early autumn.

● Unemployment in Poland is set to rise to 1.3m by the end of the year, or nearly 8 per cent of the 17m-strong labour force, writes John Lloyd.

Mr William Clatanoff, assistant director of the Office of Foreign Relations in the US Labour Department, told a conference on the Soviet Union and east Europe in Harrogate, northern England, that a further 1m workers and 250,000 school-leavers would swell the present number of 450,000 unemployed before the end of the year. However, he said that some 350,000 jobs would be created in the private sector. Poland has not had more than 15,000 people officially registered as unemployed for four decades.

Mr Clatanoff, who is advising the Polish Government on labour market policy and institutions, told the inaugural meeting of the International Association of Communist Studies, that these 1.3m workers and their families would constitute "a powerful anti-Government force – unemployment is now the largest political risk in Poland".

This political risk was greater in planned economies than in market ones, he said, because redundancy was more than just the loss of work and its income. Workers typically owed holidays, some food supplies, social services and even housing to their enteprises.

Mr Clatanoff said that where workers "internalised" their resentment about unemployment, there would be an increase in alcoholism, child abuse, wife beating and marriage breakdown.

Where the problem was "politicised", unemployed workers would at the very least vote against the incumbent governments.

Calm hand on the economic wheel as Russia steers into stormy waters

Boris Fyodorov, the republic's youthful new Finance Minister talks to Quentin Peel

DR. BORIS FYODOROV is 32, a PhD in economics, and has a friendly face, a businesslike manner, and a terrifying job.

He has just become the Finance Minister for the 150m-strong Russian federation, the largest component of the Soviet Union, with a bankrupt budget, huge oil reserves, and a bruising conflict looming with the Government of the USSR itself.

His government is already locked in confrontation with the union authorities over the control of its banking system. It is intending to charge ahead with new laws on de-nationalisation of property, total liberalisation of foreign trade, and promotion of small businesses, regardless of what Moscow decides.

Dr Fyodorov is under instructions to draw up a budget which reduces the net transfers to the central Government from Rbs70bn to Rbs20bn a year, which would virtually double the central budget deficit.

His parliament is also demanding the right to control all the hard currency earned by republican enterprises and to decide for itself just what it gives to Moscow at the end of the day. That could be the most divisive issue of all.

All of which the new minister explains with absolute calm. "Nobody knows for sure how everything will be divided," he says. "But the general political stance is that we have declared our sovereignty. At the moment it is mainly a declaration. Everything will depend strongly on how the centre reacts.

"I'm against any kind of confrontation, trying to break away as fast as possible, trying to create our own monetary unit. The only way out is to co-operate."

He is, none the less, one of the brightest stars in an administration which seems dead set on pressing ahead with the sort of radical moves to a market economy which the central Government keeps postponing. And so far there is no sign of any attempt to co-ordinate the two processes.

Dr Fyodorov, formerly a top adviser on banking and financial reform in the economics department of the Communist Party central committee, and before that an academic, has a string of ideas he wants to put into practice quickly.

"Why was the banking law not adopted last year?" he asks. "Why is the joint stock company decree of the Government so unprofessional? People at the (Union) Ministry of Finance do not even understand the difference between a share and a share certificate.

"We must create the mechanism for new institutions to be created: a stock exchange, joint stock companies, commercial banks, commodity exchanges, real insurance companies.

"I want to create the situation where any three people getting together can form a joint stock company . . . .You should not have to explain to any official the economic basis, why it should be created."

He knows he has got big battles ahead, particularly over the budget and foreign currency.

The Russian federation, with the vast bulk of the country's oil and mineral wealth, controls most of its future hard currency earnings.

"Our view is that every enterprise should get its own hard currency. It then sells it, at a price to be decided, to the local authority and to the republic. The republic is then responsible for the proportion it passes on to the central Government."

As for the first confrontation on banking, he admits that it should not have happened. The Russian decree on banking was approved by the parliament in just 28 seconds, without being seen by the Finance Minister or any other official.

But it was a logical consequence of the declaration of sovereignty. "It was written down there that the banks would come under the control of the republic," Dr Fyodorov said.

"The Union simply did not pay attention, until it was too late. Then they put out proposals to turn the banks into joint stock companies, with all the capital coming to the Ministry of Finance of the Union. They should have asked our opinion."

Now the Union and the 15 republics, with Russia in the lead, have to learn to play a completely new sort of game.

"Gorbachev is against any kind of confrontation," he says. "So is Yeltsin (as president of the Russian federation.) It seems that some sort of round table negotiation is possible. We are in favour of settling all these questions to mutual benefit."

Breaches of EC law on increase

By Lucy Kellaway in Brussels

MEMBER STATES are infringing European Comunity law with increasing regularity, while their citizens – more knowledgeable than before about EC rules – are becoming increasingly ready to complain formally to the European Commission.

These are two of the findings of the Commission's latest annual report on the application of EC legislation. Last year, the Commission sent 664 formal letters noting an infringement, compared to 539 in 1988 and 335 in 1982. During the year, it received 1,195 complaints, with Britain leading the list of complainers.

The rising number of breaches does not necessarily mean an increasing disregard of EC law, the study notes. Rather, they reflect its growing importance, and the ever larger number of directives that need to be transferred into domestic law.

The report shows that some progress has been made in this area: 87 per cent are now written into national law books. However, single market directives are still lagging badly behind. The best countries, Denmark and the UK, have incorporated 80 per cent, but in Italy some 70 per cent of the directives were still outstanding at the beginning of this year.

As a part of its efforts to keep up pressure on member states to impose directives on time, the Commission says in the report that from now on it will start infringement procedures immediately a country misses the deadline.

The most remarkable change between 1989 and 1988 is the growing interest being taken by EC citizens in environmental directives, particularly in Britain. In 1986, the number of formal complaints more than doubled to 465 (192 of those coming from the UK).

Public transport strike cripples Kiev

By Quentin Peel

PUBLIC TRANSPORT workers in Kiev, the capital of the Ukraine, went on strike yesterday demanding better pay and conditions, in the latest manifestation of Soviet industrial unrest.

The strike by tram and trolley-bus crews, in defiance of a Soviet law banning industrial action in transport services, caused chaos for city workers for the second time in a month.

It came amid signs that long-feared industrial unrest over social conditions in the country may be spreading, with reports yesterday of action from Ulyanovsk and Kuibyshev, both industrial cities in the Russian heartland.

Tass news agency said the Kiev strike – mainly by female drivers – followed a "warning strike" on July 6. They are calling for increases in drivers' pay and bonuses, compensation for work during and after the Chernobyl clean-up, lower retirement age for women after 20 years' service, better housing, and better spare part supplies.

In Ulyanovsk, the strike was by librarians objecting both to their work conditions, and to "the disastrous condition of book repositories," according to Tass.

In Kuibyshev, workers were reported to have downed tools in several large industrial plants in protest at the complete absence of cigarettes.

The cigarette strikes were reported to have hit the aircraft, engine, steel works and bearings plant in Kuibyshev, according to the newspaper Sovietskaya Rossiya.

The newspaper said that plant managers had dropped all urgent business to search for tobacco all over the country. It said the aircraft factory was keeping a plane "ready to fly to any point in the Soviet Union as soon as they learn that there are cigarettes for sale."

Ireland hopes to retain cross-border shopping curb

By Kieran Cooke in Dublin

IRELAND says it has received "a very positive response" from the European Commission about regulations which prevent shoppers from the Republic crossing the border to Northern Ireland to take advantage of lower prices.

In 1987 Ireland limited duty free benefits to those who stayed in another country for more than 48 hours. Last month, the European Court declared this illegal.

Mr Albert Reynolds, the Irish Finance Minister, says the Commission has now recognised that Ireland has a special problem and faces significant loss of revenue if the regulations are removed completely. Ireland is now pushing the EC to allow a 36-hour rule to limit cross-border shopping.

"We expect a derogation to be agreed in the autumn," said Mr Reynolds. In the meantime, the existing ruling would apply, despite the European Court judgment.

Ireland's high VAT rates and excise duties mean that beer, spirits, petroleum products and electrical goods are often much more expensive than in Northern Ireland.

Until the introduction of the 48-hour rule, many thousands regularly crossed to shop in Northern Ireland. "The ultimate solution to this problem is the full harmonisation of rates or as close as you can get them," said Mr Reynolds.

Northern Ireland's traders strongly oppose the Irish regulations, which, they say, go against the spirit of 1992 and only add to divisions in Ireland.

Italian PM to hold talks in Moscow on western aid

By John Wyles in Rome

WESTERN FINANCIAL aid for the Soviet economy will dominate discussions in Moscow tomorrow between Mr Giulio Andreotti, the Italian Prime Minister, Mr Gianni De Michelis, his Foreign Minister, and President Mikhail Gorbachev.

The meeting has special importance because Italy is currently president of the European Community's Council of Ministers. Mr Andreotti's spokesman said yesterday that the Prime Minister hoped the talks would help the Twelve to reach a common position on aiding perestroika at next October's EC summit in Rome.

Mr Jacques Delors, the European Commission president, , visited Moscow last week as a prelude to drawing up proposals for EC governments to consider.

Mr Andreotti, for his part, is convinced that fundamental economic reform is impossible in the Soviet Union without "vast financial support from the west," according to his spokesman.

The Italian Premier has recently had letters from both President George Bush and Chancellor Helmut Kohl setting out their national positions on the aid issue. Mr Bush is understood to have repeated his determination to overcome the economic divisions of the past 50 years between the capitalist and the Communist systems.

He made clear his support for Mr Gorbachev's moves to create a market-oriented economy and a more democratic society in the Soviet Union, but repeated that Washington was not yet prepared to go further than supplying technical aid for the economic reform programme.

Mr Kohl told Mr Andreotti that Mr Gorbachev was working on a new economic reform programme to be presented in September and that the DM5bn in bank credits which Bonn is guaranteeing to Moscow would be the full amount of Germany's unilateral aid.

Former KGB general is accused

By Leyla Boulton in Moscow

THE former KGB general who has attacked the Soviet security agency's methods and close ties to the Communist Party, faces legal action for betraying "state secrets," the government newspaper Izvestiya said yesterday.

Mr Oleg Kalugin was stripped of his rank of major-general and all his medals last month for a series of newspaper interviews which he gave after his early retirement in March.

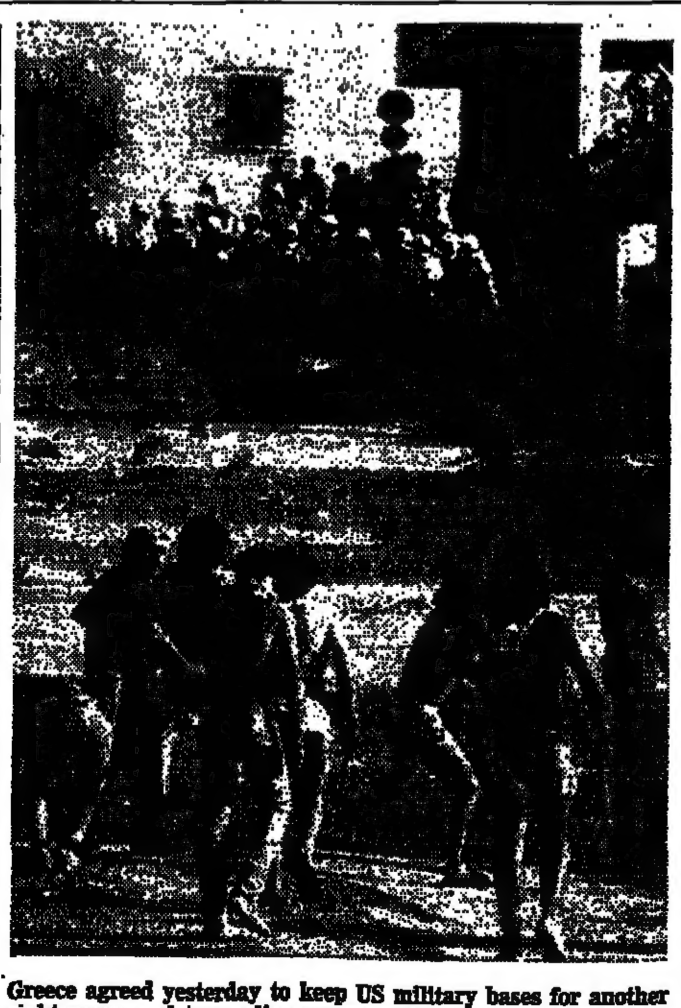
Mr Kalugin, who has become a cause célèbre in the Soviet Union, is due to travel to the southern town of Krasnodar on Thursday to contest a parliamentary seat, according to Interfax, the independent news agency.

Izvestiya said that the Soviet state prosecutor had "instituted criminal proceedings" against Mr Kalugin, citing confidential information he had divulged to newspapers.

● Thousands of trolley-bus and tram drivers in the Ukrainian capital of Kiev went on strike yesterday for higher pay and improved social benefits, the Tass news agency said, AP reports from Moscow.

In another manifestation of labour unrest, librarians in the birthplace of Soviet founder Vladimir Lenin, went on strike on Tuesday, it was reported.

The Kiev drivers are demanding higher wages and bonuses, and more housing allotments, Tass said.



Greece agreed yesterday to keep US military bases for another eight years, and two policemen were shot and wounded during violent protests against the accord, Reuter reports from Athens. Police fired hundreds of rounds of teargas to disperse 2,000 demonstrators who hurled petrol bombs and set fire to local government offices,

The anti-American clashes flared at Hania in Crete, near a big US naval base, a few hours before parliament in Athens ratified the new US-Greek defence pact by a single vote.

The accord closes two US mainland bases – Hellenikon air base at Athens international airport and Nea Makri naval communications station east of Athens – and concentrates the US military presence on Crete.

East German unions push on pay

Divisions have arisen in a fragile economy writes **David Goodhart**

MR EBERHARD Heinze, a manager at the Robotron works at Sömmerda in East Germany, says he feels hopelessly torn by the outcome of the recent negotiations in the metal industry.

The deal – which gave workers a DM300 ($182.92) pay rise (about 30 per cent), a 40 hour week (down from 43) and a 12 month job guarantee – provides a much needed boost to the depleted spending power of the average worker and manager. "But the pay rise is just too early, we have not earned it," he says.

Mr Heinze is less concerned about the hours reduction, which should be possible to offset through a faster work pace.

And like other managers he believes the job guarantee is likely to be ignored when it comes to a choice between sacking one-third of the workers and all of them.

The pay rise, which increases gross incomes from roughly one-third to closer to half the West German level, is seen by the unions as a compensation for the sharp rise in social security contributions (from about 5 per cent to 17.9 per cent) and in income tax (from virtually nothing to 10-15 per cent for blue collar workers).

Many ordinary people also see it as compensation for the sharp, although probably temporary, rise in the price of everyday necessities.

The same ordinary people are, however, as divided about applying union muscle to the fragile East German economy as Mr Heinze himself. At the Sömmerda works about 5,000 people joined a "warning strike" prior to the settlement but another 5,000 refused to participate.

There is no such division among the business leaders in West Germany and the politicians in both Germanys who have been vigorously denouncing the recent East German deals, most of which are similar to the metal industry agreement, although without the 12 month job guarantee.

They are probably right to see the deals as a further hindrance to western investment, but a whole new system of industrial relations is in the process of being established in East Germany and it is too early to say what the real strength of organised labour in the country will be.

There are also several rather bizarre features of this first wage round which disqualify it as a signpost for the future.

For one thing, much of the pay rises will be caught in a tax trap. Substantial funds should flow directly into East Berlin's empty coffers, from where they will probably flow back to the struggling corporate sector in the form of liquidity credits.

Also, there are still no real employers and unions in East Germany's state-owned companies. One West German trade unionist complained: "They all call each other 'du' (the familiar form) and do not know which side they are on." Neither the unions nor the employers' organisations made any effort to consult their members during negotiations.

In fact, neither the East German unions or employers had more than a theatrical presence at the recent negotiations which, at least in the case of the metal industry, were run by the West German Metal Industry Employers Association (Gesamtmetall) and the West German I G Metall union.

Such a takeover was to be expected. East Germany is adopting the legal framework of West German industrial relations – co-determination, works councils, social plans – but neither unions nor employers know how it works.

IN the past the East German unions were merely an extension of the party in the factory. They had no power and never negotiated. In fact, all they did was to run workers' holiday camps.

Since last year's revolution, the individual industry unions have re-emerged from underneath the now-dissolved FDGB trade union centre, but they still lack credibility.

They are now in the process of being taken over by their rather unenthusiastic West German opposite numbers. But taking over the head office does not ensure survival on the shop floor.

Officials of the DGB, the West German trade union centre, say they will be happy if East Germany can, in the medium term, maintain a similar union density as West Germany (about 30 per cent). That means a drastic reduction in membership from the current 9m (about 90 per cent) to less than 3m.

Mr Gunther Lorenz, an I G Metall (West) official who has been working in Leipzig for the past three months, says that the current strength of I G Metall (East) of 1.6m could fall by anything between 100,000 and 1m, although union density in the metal industry is likely, as in West Germany, to be well above average.

Mr Berthold Huber, also of I G Metall (West) in Leipzig, admits that the union is extending eastward out of self-interest: "A non-union zone in East Germany or wages permanently at one-third the West German level would reduce our own power, either by causing a massive reallocation of business to East Germany or by causing a flow of workers westward seeking better paid jobs and pushing up unemployment."

Future union strength in East Germany will become clearer after the elections to works councils are completed in the autumn.

Mrs Jutta Steinicke, an I G Metall (Ost) official at the Sömmerda works, says she is confident that the union candidates will control her works council. But she admits that will be only thanks to the boost provided by I G Metall (West).

Until those elections, the old union structures will remain in place but Mrs Steinicke fears that once the old officials give up, it will be difficult to find anyone willing to take over responsibilities.

"People don't know how to behave under the new conditions, we always had consensus in the past," she says.

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Asean attacks Washington over policies on Indo-China

By Claire Bolderson in Jakarta

WASHINGTON'S opposition to the repatriation of Vietnamese boat people and its recent decision to open a dialogue with Vietnam on the Cambodian crisis have come under strong attack from foreign ministers of the Association of South East Asian Nations (Asean) meeting in Jakarta.

Member countries of Asean (Indonesia, Malaysia, Thailand, Singapore, Brunei and the Philippines), together with Hong Kong, provide temporary homes for more than 130,000 Indo-Chinese asylum seekers. But in a statement issued in Jakarta yesterday, the Asean ministers said that "the severe socio-economic and political costs imposed on the countries of temporary refugee have become intolerable and cannot be continued".

The ministers accused Washington of blocking attempts to resolve the refugee crisis by its constant refusal to accept the forced repatriation of all boat people classed as economic migrants rather than genuine refugees. The statement said the US position was inconsistent with internationally accepted practice and could lead to a breakdown of international understanding on the treatment of asylum seekers.

It went on to reiterate Asean's stance that any country opposing forcible repatriation was obliged to offer an alternative solution, something that the US has so far failed to do.

In the absence of an alternative, the foreign ministers concluded, countries of first asylum would do what they thought necessary to "safeguard their national interests". This could include abandoning the practice of offering temporary refuge, they said.

The ministers have been equally critical of the US decision last week to drop its recognition of the Cambodian resistance coalition's seat at the United Nations because of the role of the Khmer Rouge in the group. Asean, which has played a key part in attempts to find a solution to the conflict in Cambodia, supports the three-party guerrilla coalition's presence at the UN in preference to the Vietnamese-backed government of Cambodia.

The ministers said in a joint statement on the subject that they believed attempts to change the UN representation of Cambodia at this particular time "would set back the search for a comprehensive political solution to the Cambodian problem".

That position was underlined by Mr Wong Kan Seng, Singapore's Foreign Minister, who said that denying the Cambodian resistance representation at the UN's had been one of Hanoi's main goals and he feared that Washington's about-face would only encourage the Vietnamese "to persist in their illusion that they need not compromise".

AP adds from Bangkok: Cambodia's Khmer Rouge guerrillas, in their first reaction to a US attempt to isolate them, appealed yesterday for international help to allow them a role in the settlement of the war.

Widespread backing for the guerrilla coalition's United Nations seat has ensured that the UN charter and international law "prevail over the law of the jungle and the use of force", Khmer Rouge leader, Khieu Samphan, said in a statement on guerrilla radio.

Caygill unveils budget with eye on NZ election

By Terry Hall in Wellington

MR David Caygill, the New Zealand Finance Minister, last night delivered a budget that emphasised social welfare concerns, while promising a financial surplus of NZ$89m (£29m) in the 1990-91 financial year, the first since 1978.

The budget is regarded as crucial to Labour's re-election hopes, as the party is trailing badly in the polls with an election due in October.

Helped by asset sales of Telecom and state forests, it showed a cash surplus of NZ$5bn. Of this, NZ$4.2bn will be used to repay overseas and domestic debt, with NZ$400m spent on education and health. This year's predicted financial deficit will be NZ$948m, or 1.35 per cent of gross domestic product.

Last year Mr Caygill promised a deficit of NZ$710m or 1.0 per cent of GDP. In a highly political document, Mr Caygill emphasised the achievements of his party's six years of economic reforms.

There were few election giveaways. The emphasis was on helping Labour's traditional supporters, with a new family benefit targeted to low-income families, free visits to the doctor for children, a new universal benefit to include unemployment and increased spending on education with the emphasis on expanding the number of teachers.

Assistance to business included the abolition of excise duties on cars and a drop of 5 cents a litre on unleaded petrol as well as a simplified tax system.

However, the package received a lukewarm response from financial markets which were disappointed at a forecast deterioration in the financial surplus to NZ$2.2bn in the 1991-92 year, which suggested that interest rates would remain under pressure.

● Six of New Zealand's most prominent directors were yesterday discharged from criminal charges under the Securities Act that could have seen them jailed for up to five years or banned from holding directorships.

The charges followed the collapse of the Rada Corporation, the financial associate of NZ Forest Products. Mr Justice Barker found them not guilty in the Auckland High Court of being signatories to a prospectus containing an untrue statement. He said the Crown had not proved all the ingredients of the charge beyond reasonable doubt.

The Crown alleged that on October 14, 1986, Rada Investments, a subsidiary of Rada Corporation, neither held in cash nor had made any firm arrangement to obtain the $50m for a share subscription in Prorada Properties. Those charged were Sir Russell Pettigrew, George Wheeler, Warren Hunt, John Hunn, Bob Gunn and Ian Arkle.

Mr Justice Barker said he was not satisfied it was a firm arrangement by Rada with the Bank of New Zealand to provide the $50m.

UK seeks 'warm' ties with China

By Peter Ellingsen in Peking

MR Francis Maude, British Foreign Office minister, soon to be elevated to the Treasury in Mrs Thatcher's latest government reshuffle, called for the restoration of "warm and co-operative" bilateral relations between Britain and China when he arrived in Peking yesterday.

Mr Maude, the first European Community minister to visit China since the EC imposed a ban on high-level contact after last year's Tiananmen Square massacre, is seeking to improve Sino-British ties in the run-up to 1997, when Hong Kong reverts to Chinese rule, and to deal with three outstanding issues which have arisen during the period of freeze.

Maude: to tackle three issues

These are the questions of Hong Kong's proposed bill of rights, Britain's nationality bill giving right of abode in the UK to 50,000 Hong Kong households to persuade key personnel to stay in the territory , and a proposed new airport which Peking believes will drain Hong Kong's resources after 1997.

The bill of rights, entrenching certain freedoms in Hong Kong, is expected to be tabled in the territory's Legislative Council (Legco) this week. The success of Mr Maude's talks with senior leaders, including Prime Minister Li Peng (whom he is expected to see today), is expected to influence other EC nations which are considering whether to maintain sanctions against China.

With Japan about to resume loans, and other members of the Group of Seven industrialised nations agreeing to a softer stance, the West is now taking a more conciliatory approach to China. Mr Maude himself noted that the time had come to start reviewing the freeze on soft loans, though he added that it would take time to restore military co-operation with China.

Mr Maude intends to raise human rights concerns in Peking, but not at the expense of further straining links.

"There will be no tub-thumping," one diplomat said, "this is a goodwill visit."

Before arriving in Peking, Mr Maude said China had taken some positive steps, including the release of detainees, and the freeing of leading dissident, Prof Fang Lizhi, who is now in the UK.

"All these measures are welcome but there's still a long way to go. There're still a lot of people in jail," he said.

If Mr Maude can convince Peking to settle the Hong Kong issues privately, without a public fuss involving retaliatory action, his mission will be judged a success.

Mr Maude will be seeking to assure Peking that the bill of rights will not undermine existing laws, or, more importantly, override the Basic Law, a mini-constitution drafted by a Peking-dominated team, that will be in force after the handover.

Rush in Hong Kong for British passport rights

By John Elliott in Hong Kong

NEARLY 2,000 men, women and children people rushed yesterday to Hong Kong's immigration offices to apply for British naturalisation because they want a chance to qualify next year for a right of abode in the UK under a Nationality Bill which is to receive Royal Assent in London tomorrow.

They were applying for British Dependent Territories' Citizens passports. Last year 1,074 people applied for the passports compared to only 600-750 in the previous four years.

The offices were being kept open for 16 hours till midnight to meet the demand because queues were still growing.

Demand has built up because Hong Kong residents who wish to apply for the full UK right of abode passports in the first tranche of the Nationality Bill's scheme must be holders of the more limited BDTC passports before Royal Assent is given tomorrow.

"I saw the television news about the Royal Assent last night and thought I'd better come down here quickly," said Mr M.A. Lam, an accountant, standing in the queue. About 3.25m of Hong Kong's 5.8m population already have the BDTC passports. Another 2.32m are not naturalised and carry identity documents, so cannot apply for right of abode.

The new package is designed to stem the colony's brain drain by giving full passports to 50,000 households of key professional and administrative employees who will be selected on a points system.

It was announced yesterday that passports in the first tranche are to be issued from next May or June and will be given to more than 40,000 households. Applications are to be invited in December.

CHINA'S hardline leaders appear to have begun to woo the more liberal military who opposed the suppression of the democracy movement, Our Foreign Staff writes. General Xu Qinxian, commander of the 38th army, imprisoned last year for reportedly refusing to lead his troops into the capital, has been released on the orders of Deng Xiaoping.

US team likely to build contacts in Phnom Penh

By John Pedler and David Pearson in Phnom Penh

A TEAM of six US military personnel arrived in Phnom Penh yesterday to ascertain whether remains offered by the Cambodian Government are those of US service personnel missing in action.

It is expected in Phnom Penh that the US Administration will at some stage take advantage of the "missing in action" mission's two-day visit to have some initial political contact with the Cambodian Government - as is strongly recommended by Mr George Mitchell, the Senate Majority leader.

His Intelligence Committee investigation into US policy in Cambodia, and its possible contravention of US law prohibiting assistence to the Khmer Rouge, is one factor that led Mr James Baker, US Secretary of State, to make his dramatic statement last week effectively putting the US on the side of those who - like the Vietnam-backed Hun Sen government - are defending Cambodia against the Khmer Rouge.

With the US media circus in town, few Cambodians understand what is going on. But the politically aware, whatever their views, are increasingly concerned at what they see as an apparent US desire to tamper with Cambodian institutions before even bringing up to date their direct knowledge of the Cambodian scene.

The US, for example, is calling for western-style elections when the Government can only field a seven-aside team. After Pol Pot's slaughters and the exodus of the well-educated in the 1970s there are simply not enough qualified people to fill both government and opposition benches. Even if there were, observers believe that, in mid-civil war, Cambodia would probably best be served by a coalition of some sort under which all those with political abilities could render service against the Khmer Rouge.

Diplomats suggest that the big question now is how quickly Mr Baker's U-turn will be reflected by concrete moves by the world community to end the sanctions which make this one of the most isolated places on earth. Ministers say privately that they are taking nothing for granted until the Baker announcement leads to something concrete.

Deadlock on Korean border talks

By John Ridding in Seoul

NORTH and South Korea yesterday rejected each other's proposals for discussions on achieving a limited opening next month of the two countries' tightly sealed border.

According to North Korean radio reports monitored in Tokyo, Pyongyang rejected as unnecessary a Seoul proposal for talks on conditions laid down by the north for a temporary opening of the border at Panmunjom.

Shortly afterwards, Mr Kang Young Hoon, South Korea's Prime Minister, rejected a North Korean proposal for a higher-level meeting on the same subjects. Analysts say that the respective rejections made it even more unlikely that the two sides could agree on opening the border.

The increasingly complex series of proposals and counter proposals was triggered by a statement by North Korea earlier this month to open part of its side of the border to South Korean visitors attending a peace rally on August 15 – the anniversary of liberation from Japanese occupation.

British Conservative MPs meet Hizbollah chief

By Lara Marlowe in Beirut

A DELEGATION of British Conservative MPs yesterday held talks with Lebanese political and religious leaders in west Beirut, including Sheikh Mohammed Hussein Fadlallah, the spiritual leader of the pro-Iranian Shia Moslem Hizbollah, which is believed to hold most of the 15 western hostages, four of them Britons.

Mr Robert Adley, Mr Colin Shepherd and Mr Tim Rathbone met Sheikh Fadlallah in the southern suburbs of the city. Mr Adley, who is leading the delegation, said the MPs had called on Sheikh Fadlallah because they wanted to talk to opponents as well as supporters of the Arab League-backed Taif peace agreement in Lebanon. He insisted that hostages were not mentioned.

The arrival of the Tory MPs coincided with a visit to Damascus by Mr Gerald Kaufman, the British Shadow Foreign Secretary.

Mr Kaufman discussed the hostage situation with Mr Farouk al-Sharaa, the Syrian Foreign Minister. Mr Kaufman met yesterday with Syrian vice-president, Mr Abdul-Halim Khaddam, who has responsibility for Lebanon. Britain broke diplomatic relations with Syria in 1986, after the Syrian embassy in London was implicated in the attempted bombing of an Israeli airliner.

According to British sources in Beirut, Mr Merlyn Rees, the Labour MP and former Home Secretary, decided not to accompany the group to Beirut for security reasons. The MPs have travelled to their meetings with Lebanese President Elias Hrawi, army commander-in-chief General Emile Lahoud, speaker of the Parliament, Mr Hussein al-Husseini, the Arab League's special envoy to Lebanon, Mr Lakhdar Ibrahimi, Sheikh Fadlallah and others in an armed convoy guarded by more than a dozen Lebanese army soldiers.

They are scheduled to meet Prime Minister Selim el-Hoss, and ex-President Suleiman Frangieh, before departing tomorrow. They also hope to meet rival Maronite leaders, Mr Samir Geagea, and Gen Michel Aoun today.

Liberian rebels are pushed back

GOVERNMENT soldiers patrolled the streets of the Liberian capital yesterday after they apparently repelled a surprise rebel attack the day before, AP reports from Monrovia.

On Monday, a splinter rebel group waded across a swamp to shoot their way into the centre of the city, surprising government troops who had been defending two key bridges leading into town.

A rebel gunboat fired at President Samuel Doe's ocean-front mansion before dawn yesterday and then sped away, witnesses said.

The unidentified ship fired at least six rounds at the heavily fortified command post where Mr Doe was holed up with his remaining loyal troops who returned the fire.

The rebels involved in Monday's attack were identified by diplomats in Abidjan, the capital of neighboring Ivory Coast, as forces loyal to Prince Johnson, a rival rebel to Mr Charles Taylor who remained blocked by government troops in the city's eastern suburbs.

Exodus costs hit Israeli food subsidies

By Hugh Carnegy in Jerusalem

THE Israeli government yesterday cut a number of sensitive food subsidies as part of an emergency programme to help fund the absorption of thousands of Soviet Jewish immigrants, provoking strong protests from both trade unions and the Bank of Israel.

All subsidies on bread were removed, pushing up the price of a loaf by 30 per cent, and subsidies on chicken and margarine were reduced.

Subsidies on eggs, milk and public transport are also scheduled to be cut as part of a Shekels420m (£111m) package of spending cuts to help offset extra spending on immigration. The measures brought howls of protests from a growing number of poor families camping out in towns across Israel in protest at rent increases caused by an immigration-induced housing shortage.

The powerful Histadrut trade union federation said the cost of immigration should not be borne by the poor.

The Bank of Israel called the measure inflationary. It favours price control reforms, but attacked the cabinet for not implementing a comprehensive set of policies and reforms to cope with immigration. Just what the influx will end up costing the Israeli government is still unclear.

The efforts to get to grips with the problem have taken on an air of confusion and alarm.

Yesterday, Mr Yitzhak Moda'i, the Finance Minister, presented a Shekels2.5m supplementary immigration budget to the Knesset.

But Mr Ariel Sharon, the Housing Minister, said he would ask the cabinet on Sunday to approve spending no less than Shekels2.7bn on emergency housing, a figure that appears way beyond extra spending estimates formulated by the Treasury.

Maghreb states seek to strengthen ties with EC

By Francis Ghilès

THE FIVE Maghreb countries of North Africa have undertaken to speed up economic integration between them and called for stronger ties with the European Community. The move is clearly designed to prevent them from being squeezed out of the single European market after 1992.

A final declaration issued after a summit in Algiers of the leaders of Algeria, Tunisia, Morocco, Libya and Mauritania, which ended on Monday, said that 1995 had been set as the target of a customs union between the five countries. It was also decided to create a common airline.

Five agreements were signed in Algiers covering trade in agricultural products, the prevention of agricultural diseases (locusts and screw worm notably), the encouragement and guarantee of investments, the ending of double taxation laws and free movement of goods and people.

At the moment, Maghreb countries, which have a total population of 65m and a combined GNP of more than $100bn (£55bn), conduct only about 1.5 per cent of their official external trade with one another.

The collapse of communist regimes in eastern Europe and the growing links being forged between these countries and the EC was unwelcome news in North African capitals. The three central Maghreb states, Algeria, Tunisia and Morocco, conduct about two-thirds – in the case of Tunisia three-quarters – of their trade with EC countries, to which they owe much of their debt and trade credits.

President Chadli Bendjedid of Algeria, who was hosting the summit, underlined the "close ties with the European Community" all countries in the region already enjoyed and which they wished "to reinforce and expand to make the two sides of the Mediterranean a model of North South relations".

The five countries, which formed the Maghreb Arab Union in February 1989, are due to hold joint ministerial talks with the EC in November. They clearly hope that forming a customs union will put them in a stronger position to negotiate.

Indonesian power plant contract

Japanese companies, Mitsubishi Heavy Industries (MHI) and Mitsubishi Corp, along with and Siemens of West Germany, have received a full turn-key order for a natural gas and coal fired power plant from Indonesia's electricity authority (PLN), Mitsubishi Heavy, MHI announced yesterday, AP-DJ reports from Tokyo.

To be built at the Gresik Power Station near Surabaya, the 1,500-megawatt power plant will be the largest in the world. The cost of the plant was not disclosed.

Nigerian debt deal continues to confuse

Creditors puzzle over latest moves by Lagos, say William Keeling and Stephen Fidler

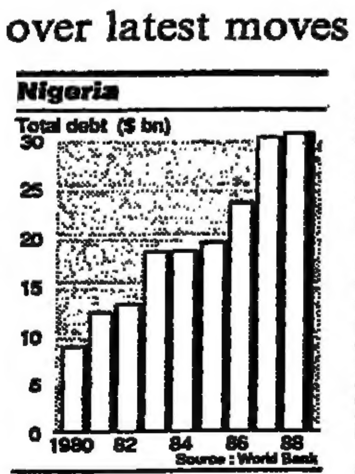
THE catch-phrase of one Nigerian businessman is: "I regard a signed contract as a good basis for negotiation." It is also a phrase which could usefully be applied to agreements concerning Nigeria's $32bn international debt.

Not for the first time, Nigeria is in dispute with its creditors, including the Paris Club of creditor governments, the London Club of commercial bank lenders and the World Bank.

It is a situation which western diplomats officially explain as a problem but not a crisis. In private, however, there is anxiety over increasing payment arrears – $1bn to the Paris Club alone – and a fear, as one diplomat put it, "that the new Nigerian negotiator, Chief Olu Falae, has raised the stakes".

Diplomatic sources confirm that the present impasse with the Paris Club – the debt to which totals $14bn – concerns a condition in last year's agreement which stipulated that oil revenue over and above $16 a barrel should be paid into a stabilisation account. The condition demanded that half the money should be directed to building up foreign exchange reserves and half to paying back rescheduled Paris Club debt.

Analysts believe that an IMF refusal in April to extend its economic stamp of approval without which a new Paris Club agreement cannot be signed, is an indication that this condition was not wholly fulfilled.



The problem has been to reconcile payment arrears to the Paris Club of about $1bn with an apparent surge in foreign exchange reserves. Central Bank of Nigeria figures show an increase from $640m at the end of 1988 to $2.9bn now. According to one banker, the imbalance was the result of a government decision to give a higher priority to foreign reserves.

Diplomats agree that the Paris Club adopts a "a soft approach" to arrears if adequate economic explanation is given but in this instance there is said to be a serious complication. A World Bank official reports that there is widespread scepticism surrounding the Central Bank figure for foreign reserves. The official claims that the increase to $2.9bn was reached by the possible inclusion of ineligible reserves, such as those belonging to the Nigerian National Petroleum Corporation (NNPC)

A spokesman for the Central Bank has denied that the funds of any government parastatal were included in the figures for foreign currency reserves. In particular the spokesman said that the NNPC reserves, which presently total $1.22bn, were kept in a separate escrow account.

There is concern within the donor community, however, that the figures are inaccurate and are being used to shield the diversion of revenue to ill-favoured government projects, such as the Ajaokuta steel plant. Diplomatic sources report that the World Bank has been in dispute with the government since January over the expenditure on Ajaokuta, a matter which has led the bank to withhold a $500m budget and financial policy loan.

Another dimension of the debt situation is the breakdown of 1988 agreement between Nigeria and the London Club group of creditors who are owed $5.5bn. Described as "a very fair deal" at the time, the agreement had allowed for the repayment of medium-term debt over 14 years. In March Chief Falae announced that Nigeria was unable to service the debt on existing terms.

His suggestion was that the repayment period should be extended to 30 years (with 10 years' grace) and that the interest rate should be cut to 3 per cent. In talks last week the banks proposed a debt reduction deal, along the lines of agreements already in place for Latin American countries such as Venezuela.

The options included a debt buy-back option and an exchange of debt for 30-year bonds carrying below-market interest rates. But there was no agreement over the interest rate the bonds should carry and the level of collateral required to secure principal payments and interest.

Negotiations are not expected again before the end of August. The acceptance by the banks of a debt buy-back option is seen as an important breakthrough. The concession follows activity over the past year in the secondary market for Nigerian debt. Banking sources confirm that Barclays Bank recently sold up to $300m of its Nigerian debt at a discount rate of 29.5 per cent. The buyers were a group of Austrian banks. Given the low yield of Nigerian paper – even at the deeply discounted secondary market price – it seems unlikely that this would have been bought as an investment.

The secondary market has provided a potential means for Nigeria to retire its debt at a fraction of its value. But to have done so in the past would potentially have been in contravention of agreements which stipulated that all creditors should be treated equal. If the government had been diverting revenue to buy back the debt of an individual creditor on the secondary market, then other creditors – such as those in the Paris Club – would have received less.

Many analysts believe the London Club has no choice but to offer a debt buy-back option in order to make visible any future entry by Nigeria into the secondary market. The commercial banks would then be in a better position to gauge the tactics of the Nigerian negotiators. At present, the London Club has been left guessing whether Nigeria is truly unable to repay its debts as scheduled or if it is using the dispute with the Club as a means of squeezing the secondary market discount rate.

The disputes are beginning to have a negative effect on the domestic economy. Foreign project and policy loans worth up to $700m which are necessary to finance the budget deficit are currently being withheld. Pressure is mounting on all sides for a settlement and much depends on Nigeria signing a letter of intent with the International Monetary Fund. But that relies upon agreement concerning the make up of foreign reserves.

Indian state chooses private sector partner for steel plant

By K.K. Sharma in New Delhi

THE eastern Indian state of Orissa has chosen the Jindal group of industries as its private sector partner to establish a Rs25bn (£800m) 3m tonne integrated steel plant near Daitari.

The joint venture will be implemented by a new company, to be called Kalinga Steels, in which the Orissa government will have a 26 per cent equity share and Jindal 25 per cent. It is proposed to raise the remaining 49 per cent from public financial institutions and by tapping the capital markets. The capital to be raised initially is estimated at Rs9bn.

This is the second big industrial project launched by a state government in partnership with private companies and suggests that the "joint sector" will be increasingly used to promote industrial ventures. The joint sector involves use of financial resources and management skills of private companies.

The first such project was agreed a few months ago between the Marxist government of West Bengal and the Tata group for setting up a petrochemicals complex at Haldia.

The Jindal group, which has wide interests in such areas as engineering, oil mills and plastics, will be the first Indian group after Tata to enter the steel industry in a significant way. However, more companies are expected to make investments in steel after last week's liberalisation of the steel policy.

The project still has to be approved by the central government.

Bofors investigation delayed

POLICE investigating charges of pay-offs in the $1.4bn (£760m) deal with the Swedish company Bofors to supply howitzers to the Indian army concede there will be a delay in identifying people to whom payments were allegedly made, writes K.K. Sharma.

This is because the Swiss cantonal court which was asked to authorise help for the Indian investigators has not accepted the official letter sent to it on the grounds that it was too detailed and confusing.

Reports of the ruling by the Swiss court say it has asked for a simpler version of the papers and has not yet rejected the application for help. India's Central Bureau of Investigation is now working on the new application which needs to be submitted by September 6.

Indian investigators are encouraged by the fact that the Swiss court has not reversed orders freezing six accounts in Swiss banks to which the alleged Bofors payments were made.

Philippines debt moratorium row

Legislative proposals to impose a ceiling and a temporary moratorium on repayments of foreign debt appeared to be gaining some support in the Philippines cabinet yesterday, Greg Hutchinson writes from Manila.

In the light of last week's devastating earthquake, Mr Guillermo Carague, Budget Secretary, told reporters he was in favour of suspending repayments, but opposed "unilateral" action.

Mr Jesus Estanislao, the Finance Secretary, said he supported the aims of the bill, but said any impulsive move "could be disastrous".

Taiwan venture

Evergreen Heavy Industrial Corp, a part of Taiwan's Evergreen Group, has signed a co-operation agreement with General Electric Aircraft Engines that will help Taiwan develop an aerospace industry, Peter Wickenden writes.

AMERICAN NEWS

US plans Gatt complaint over Airbus subsidies

By Peter Montagnon and William Dullforce in Geneva

THE long-simmering trans-Atlantic row over subsidies to Airbus has abruptly resurfaced, to the surprise of European officials, with a decision by the Bush Administration to make a formal complaint to the General Agreement on Tariffs and Trade.

US officials said they would file a complaint on August 1, alleging that a West German pledge to provide up to DM2.63bn (£870m) in support to cover exchange rate losses is illegal under international trade rules.

The pledge was made as part of the deal under which Messerschmitt-Bölkow-Blohm (MBB), the state-owned German arm of the Airbus consortium, was sold to Daimler-Benz last year.

It was designed to protect the company from potential losses if the dollar fell below DM1.60, the US said. Aircraft are normally priced in US currency, although MBB's costs are in D-Marks.

Announcing its decision to complain, the US Trade Representative's Office said talks on Airbus subsidies had broken down.

European officials said they were surprised by the US move as they did not regard the talks as having broken down. They added the European Community had offered only 10 days ago a firm commitment to ban all production subsidies on large aircraft with more than a 100-seat capacity as well as a significant reduction in future assistance to Airbus for developing new aircraft.

Although the buoyant aircraft market has reduced pressure on the administration from Boeing and McDonnell Douglas to act against Airbus, Mrs Carla Hills, US Trade Representative, has said she regards exchange rate support as "the most egregious kind of subsidy".

The Gatt subsidies code specifically bans export subsidies, such as direct cash grants and exchange risk protection which does not involve a premium charge to cover losses.

Bogotà appointments seek political balance

By Sarita Kendall in Bogotà

MR Cesar Gaviria, Colombia's president-elect, has made his first four cabinet appointments, confirming he will seek political balance and moderate reform when he takes over on August 7.

Mr Luis Fernando Jaramillo, the new Foreign Minister, has a strong economic background and works with the Inter-American Development Bank. He will give special attention to trade relations and internationalisation of the Colombian economy, while pushing ahead with the present government's programme to resolve frontier problems with Venezuela.

Mr Jaramillo, who is a former public works minister, coordinated Mr Gaviria's presidential campaign.

Mr Rudolf Hommes, the new Finance Minister, is an economist with experience in universities and both the public and private sectors. He was recently an adviser to the central bank's monetary board. One of his main tasks will be to expand and implement liberalisation policy.

Liberalisation will also be one of Mr Ernesto Samper's concerns as Minister of Development. Mr Samper, who originally ran against Mr Gaviria to be Liberal Party candidate for the presidency, was nearly killed in an airport shoot-out when gunmen murdered a left-wing politician. He represents an important group of younger Liberals on the left of the party.

The Minister of the Interior, Mr Julio Cesar Sanchez, is a former mayor of Bogotà and Liberal Party politician well versed in reconciling political factions.

In the Bahamas, gambling vice is seen as public virtue

Rachel Johnson looks at plans for a national lottery to raise government revenue with no new taxes

NOT every Caribbean island has all the vices of neighbouring Miami.

The Bahamas, a scattering of 700 islands is a gambling haven for tourists, but has no official lottery for Bahamians. Nor does the Turks and Caicos, a Crown colony of low-lying islands which extend south from the Bahamas. But this lottery-less situation could now be changing, as each comes to terms with the fact that vital revenues from offshore banking and tourism could suddenly dry to a trickle at a bad time for parched Caribbean economies.

The Bahamas' projected revenue for 1990-1991 is $581.5m – none of which from personal taxation - largely through indirect taxes such as customs duties and fines for traffic offences.

In his budget this year, Sir Lynden Pindling, the prime minister, also raised duties on alcoholic drinks, tobacco, passports, consular services, and firearms, not least because Hurricane Hugo devastated much of the region and weak oil and commodity prices undermined the strength of the Bahamian economy.

For these reasons, indirect taxes have to be high. But there is still a budget deficit of $1.6m planned for this year, and not enough money for new schools, sports centres, welfare programmes and other social services to meet the growing requirements of a population of 250,000 with high rates of unemployment and growing crack addiction.

So the Bahamians have passed legislation to establish a national lotteries commission, and top US athletes have backed Sir Lynden Pindling, agreeing that a lottery could revolutionise the country's sporting status.

Of more importance to the Finance Ministry in Nassau, an official lottery could stem the outflow of capital trend which is exacerbating the country's credit and liquidity problems. External reserves are already depleted, while domestic credit grew by 7 per cent in 1989.

For economic reasons, some argue, an official, government-sponsored lottery could not be set up too soon. A lotteries' bill is currently going through parliament – but in the meantime, Bahamians are spending an estimated $1m a week on the Florida State lottery in Miami and probably even more on "the numbers racket."

Illegally run by two generous supporters of both main political parties, the numbers racket supplies the fix denied to Bahamians by strict gambling laws. Though the islands are famous for their casinos – which range from plush green baize to roomfuls of one-armed bandits – they are closed to Bahamians.

So islanders pay double the price of a Miami lottery ticket ($10 for a $5 playing card) to play the Florida state lottery. Bahamasair, the national flag carrier, has a regular flights to Miami which is thronged by ticket couriers, flying Stateside for the day with briefcases full of tickets. Although the Bahamian dollar is fixed at parity with the US dollar, the lottery tickets have to be bought with greenbacks, with dire consequences for the current liquidity squeeze.

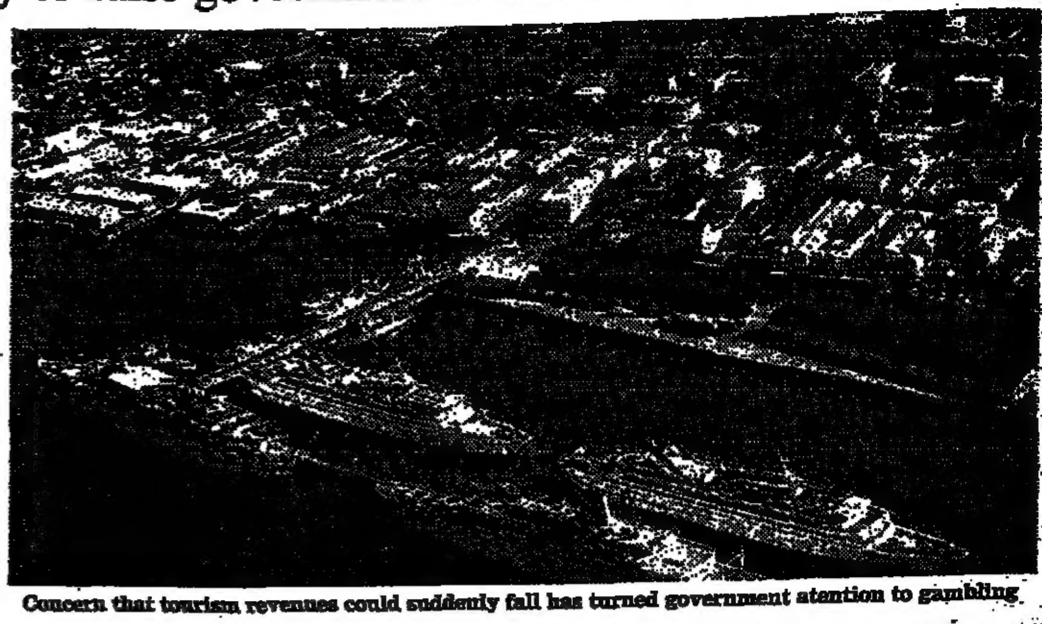
Those who cannot afford the luxury of playing the Florida lottery play the numbers racket, with tickets at a mere 50 cents available on most Nassau street corners.

The question posed by Mr Colin Mays, the High Commissioner in the Bahamas, is whether anyone would be tempted to play a legitimate lottery when the Florida and numbers games are already so popular. And the islands' powerful Baptist community is vociferously opposing a lottery as it did horse racing and casino gambling.

While a national lottery in the Bahamas remains in the balance, there is no church opposition to a lottery in the Turks and Caicos Islands (TCI), according to a Nassau-based Italian financier, Mr Enrico Garzaroli.

Together with TCI's finance minister, Mr Wendell Swann, he is drawing up a blueprint for an innovative "transnational" lottery for the TCI and Brazil to share.

As the TCI's currency is the US dollar, the initiators of the scheme – who are being advised by an ex-secretary of the UK Gaming Board – have a carrot they can offer Brazil.



Concern that tourism revenues could suddenly fall has turned government atention to gambling

There are already two national lotteries, a Loteria Esportiva, and the Loteria de Numeros - with a weekly movement of about $19m. The Savings Bank has more than 5,700 authorised lottery shops.

The organisers are hoping that TCI islanders and lottery-mad Brazilians will be tempted to buy each others tickets – in a neat exchange of hard currency which would boost both places' invisible exports. Revenues from the smaller new lottery will, as in Brazil – be channelled to development projects.

But this Caribbean lottery too has been in question ever since Mr Fernando Collor de Mello took office this year. It awaits approval from Brazil's finance ministry, which is currently too busy administering sweeping economic reforms to consider the scheme.

It does look likely, however, that the global momentum for lotteries is unstoppable, despite the opposition of vehement religious communities.

There are 118 national lotteries worldwide. In Europe, only the UK and Albania are without. With direct marketing and the mailshot, it is as easy to play the West German lottery as the pools. UK customs seize thousands of illegal mailshots from the Länders' lotteries a week.

And in New York, lottery-fever has gripped the nation to such an extent that the subways are plastered with adverts for Dr Lotto – who comforts players with advice and helps them choose the right numbers.

The UK Government is firmly opposed to running a national lottery to increase revenues without taxation. But in the Caribbean, and other countries where personal taxation hardly exists, governments are considering the virtues and vices of a lottery.

Minister caught in Mohawk row

By Robert Gibbens in Montreal

A CANADIAN minister has triggered a political row by charging Mohawk Indian militants with creating "armed insurrection" in a two-week-old land dispute near Montreal.

Mr Harry Swain, Federal Deputy Minister of Indian Affairs, said in an Ottawa briefing that leadership of the Mohawk people in Quebec had been "hijacked by a criminal organisation," a reference to the Mohawk Warriors grouping. He claimed the group had terrorised the community's traditional leadership and cloaked itself in the guise of defending Indian rights.

But Mr Thomas Siddon, Federal Minister of Indian Affairs, later said he had no evidence the Mohawk Warriors were a criminal group, and Mohawk leaders in Montreal described the allegations as "pure slander".

The dispute, over expansion of a suburban golf course on to land claimed by the Indians, has quickly escalated into a national confrontation over Indian rights. One Montreal policeman died in an exchange of shots between police and Mohawks.

The Indians have blocked a main artery into Montreal, creating traffic chaos for two weeks.

Negotiations between the Quebec government and the Mohawks to remove the barricades and solve the original dispute have broken down. Both the Quebec and federal governments are involved because of parallel jurisdiction.

Mr Swain claimed the Mohawk Warriors were a criminal organisation "using a combination of guns, cash and ideology" to take over leadership of several thousand Quebec Mohawks and exploit the dispute at a national and international level.

He alleged many were Vietnam war veterans or former members of the US military, with no support from local Mohawks.

"The Warriors control the situation because they have all the guns," he claimed.

Chile and EC to sign accord

CHILE and the European Community expect to sign an accord by the end of the year encompassing scientific co-operation and the transfer of technology, as well as trade and aid agreements, writes *Leslie Crawford in Santiago.*

Mr Enrique Baron Crespo, president of the European Parliament, announced the accord during a two-day visit to Chile.

He said it would be the most comprehensive agreement signed between the EC and a Latin American country and would include novel aspects, such as environmental protection.

The so-called "third generation accord" will last five years.

Congress backs tougher enforcement by SEC

By Peter Riddell, US Editor, in Washington

LEGISLATION to toughen enforcement powers of the Securities and Exchange Commission has passed the House of Representatives and the Senate. Both versions give the SEC powers to impose civil penalties for a wide range of securities law violations, offering greater flexibility than criminal proceedings.

The bill would allow the SEC to issue cease-and-desist orders against companies suspected of improper financial activities.

Federal courts would also be permitted to bar anyone violating anti-fraud sections of securities law from serving as officers or directors of securities firms. This action, to combat fraud in relevant markets, is in line with SEC proposals.

Slight differences in the Senate and House versions are expected to be ironed out quickly and the measure should become law by the end of summer, at the latest.

The main variation is that the House measure contains proposals, expected to be adopted by the Senate, providing tougher disclosure and regulatory requirements over penny stocks, low-priced securities not traded on stock exchanges or through the over-the-counter electronic order system.

WORLD TRADE NEWS

Officials try to put zest into flagging trade talks

By Peter Montagnon and William Dullforce in Geneva

TRADE officials last night began searching for new negotiating procedures to help revive the flagging Uruguay Round of multilateral liberalisation talks.

With the weekend compromise on farm reform out of the way, an aura of phoney peace has settled on the meeting of the Trade Negotiations Committee (TNC), the senior Uruguay Round discussion group.

Delegates representing more than 100 countries said there was no longer any appetite for a destabilising dispute this week on the other 14 items on the agenda. Instead they were now seeking a "more urgent high level process" to keep them on track for a final agreement on the entire Uruguay Round package in December.

This process could lead to greater direct involvement in the talks by Mr Arthur Dunkel, Gatt director-general, although some developing nations are voicing concern about important decisions being taken by small groups of industrial countries in smoke-filled rooms.

However, the delegates, who are top-ranking civil servants, have shied away from calling for a further informal meeting of trade ministers. Given the technical nature of the present discussions, this would, as one Japanese official put it, risk "confusion".

The negotiating plans produced by the 15 chairmen of individual discussion groups will be accepted as a basis for continuing talks, albeit with the addition of covering notes detailing disagreements in most areas.

Resolving these differences will eventually be a matter for politicians rather than civil servants, but delegates said they want to present Ministers with clear choices that are not obscured by technicalities.

To help them reach this point top officials will be on full-time alert in home countries. Mr Hugo Paemen, the top European Community negotiator, said yesterday there would be no summer holidays for his staff at the EC Commission. Some delegates have also called for the TNC to be on permanent standby.

Others are looking at setting precise deadlines for the remaining stages of the talks, as well as at ways of establishing an emergency mechanism for dealing with problems when they arise so that they do not become bogged down in individual negotiating groups. Mr Dunkel was due last night to begin talks designed to define appropriate new procedures so that he can announce them at the end of the week. His statement will also outline the remaining obstacles and indicate where political decisions will be needed to complete the Round.

Japanese seek firmer rules

By William Dullforce and Peter Montagnon in Geneva

JAPAN wants the rules established for the reform of world farm trade before it discloses how it will handle its ban on rice imports.

Japanese officials said yesterday that they were still looking for special consideration for food security. Until rules on this and similar areas were clarified, it would be difficult for Japan to compile meaningful lists of their farm supports as a basis for negotiating reform, officials said.

They were "not very satisfied" with the decision that governments should submit by October 1 at the latest lists, assessing the value of their assistance to agriculture in three areas – internal supports, border protection and export subsidies.

The decision formed part of the compromise between the European Community and the US on Monday which is intended to lead to firm negotiations on the reduction of farm supports in Gatt's Uruguay Round. Japan did not object to tabling lists, officials said, but political decisions would be required on how to present Japan's ban on rice imports and its assistance for rice farming.

Another problem for the Japanese concerns Gatt's Article XI, which allows governments to restrict imports, to protect domestic production controls. The US and the 14 farm-exporting nations of the Cairns Group, except Canada, want to remove this right.

Until the rules on this and other issues were agreed, the tabling of lists of farm supports would not expedite matters very much, Japanese officials said. In general at this week's meeting of the Uruguay Round's Trade Negotiations Committee the Japanese have been emphasising the importance they attach to reinforcing Gatt's rule-making role.

There could be no results from the talks on the revision of Gatt's anti-dumping code, until stricter rules had been agreed for the methods used by authorities to calculate dumping margins, officials said.

Tokyo accuses the EC and the US of using arbitrary and unjustifiable methods to determine whether a foreign exporter is selling a product on their markets at a lower price than that for which the product is sold on his home market.

Basic rules for determining whether or not dumping has occurred had to be agreed first, Japanese officials insisted. Then Japan might be ready to discuss the new rules for preventing circumvention of anti-dumping duties sought by the US and the EC.

Trade talks failing to meet tariff-cut target

By William Dullforce in Geneva

THE US complained yesterday that offers by governments to reduce customs duties amounted to less than half the target set in Gatt's trade liberalising Uruguay Round.

Mr Julius Katz, Deputy US Trade Representative, warned that if countries lowered their ambitions for the Round, the results would command neither international support nor US domestic approval.

He reminded the Trade Negotiations Committee, the Round's governing body, of US President George Bush's dictum that no agreement was better than a bad agreement. Countries wanting the Round to succeed should make sure their negotiators returned to Geneva at the end of August with the mandate and the flexibility to make "policy-specific commitments". Mr Katz asked countries that were not ready to do so "not to stand in the way of the progress the rest of us seek".

The average tariff reductions so far tabled added up to a mere 15 per cent, less than one half of the goal agreed by trade ministers at their mid-term review of the Round in Montreal in December, 1988, Mr Katz said.

The US and the European Community had begun to negotiate in earnest on a significant package of tariff cuts. But neither could be expected to offer major concessions to countries which had been less forthcoming and less ambitious.

As the talks neared their end, the linkages among the 15 issues under negotiation made it essential to achieve ambitious results, if they were to be acceptable in all capitals, Mr Katz said.

He criticised the "just say no" approach of developing countries who refuse to discuss changes to Gatt rules that allow them to justify trade protection by citing balance-of-payments difficulties.

EC plans better deal for world poor

Brussels is to upgrade the GSP trade regime, writes **Lucy Kellaway**

IN 1968 the world's rich countries decided to set up a system of trade concessions to help poor countries. Twenty-two years later, the Generalised System of Preferences (GSP) is dog-eared and outdated, and some doubt it worth keeping.

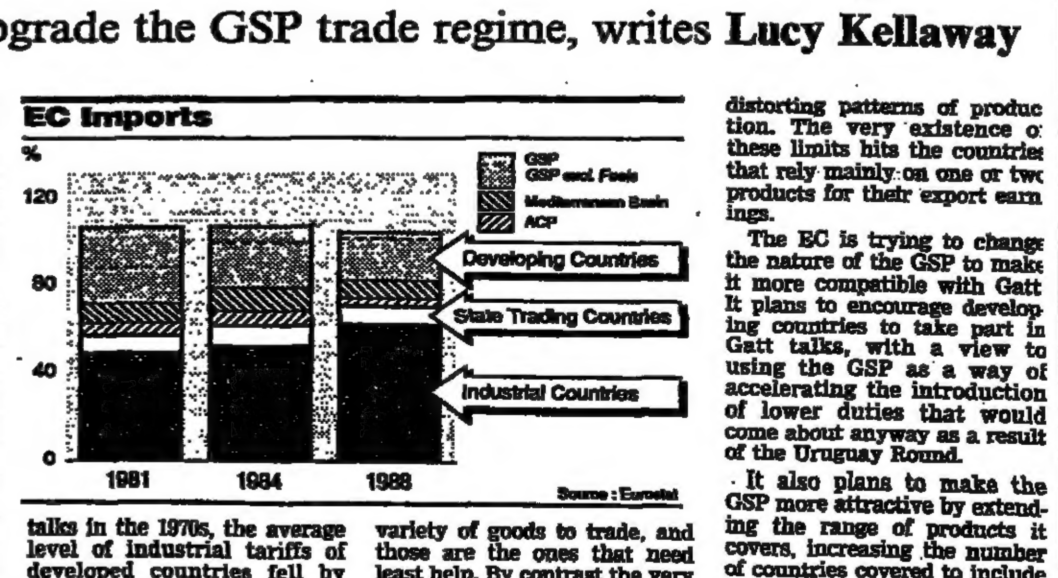
The European Community, one of the first to implement the scheme in 1971, has been the first to declare its GSP more or less useless. However, it is proposing improvements, and hopes they will be taken up by the US and other developed countries.

The original idea was to offer all Third World countries reduced tariffs on a range of products, with the aim of boosting their export earnings, helping them to industrialise and achieve faster economic growth. The scheme was designed to be autonomous, non-reciprocal and non-discriminatory.

Initially all went well, but more recently the GSP has found itself squeezed out by more preferable arrangements, by the worldwide trend towards freer trade and by inconsistencies and imperfections in the operation of the system.

The EC's GSP trading partners have been forced increasingly to take second place, getting poorer terms than those offered to the African, Caribbean and Pacific (ACP) countries, to the European Free Trade Association, and to the EC's Mediterranean neighbours. Moreover, as tariffs and other trade barriers fall, the benefits from special reductions have also come down.

In the Tokyo Round of trade talks in the 1970s, the average level of industrial tariffs of developed countries fell by nearly half to 6.4 per cent. Third World exporters have been further hit by the introduction of non-tariff measures to protect the markets of the developed countries in areas like textiles.



Meanwhile the relationship between GSP and the Gatt has also changed. Initially, the GSP was seen as an alternative to Gatt, whereas now the poorer countries are increasingly turning to Gatt, seeing their future more from freeing their markets, than protecting their industries.

But the monetary benefit of the EC preference system is not negligible: in 1988 GSP countries saved a total of Ecu1bn (£690m) on import duties on exports worth Ecu16bn.

The problem is that these benefits may have gone to the countries that need them least. By its nature the scheme is attractive to countries with a variety of goods to trade, and those are the ones that need least help. By contrast the very poorest countries get only 1 per cent of the benefits from the EC system, partly because they do not know how to use it or even that it exists.

Indeed, during the years when the Opec countries were getting rich on oil prices of $30 a barrel, they were also the countries to benefit most from special preferences on their other exports. More recently the Asean members, including Hong Kong and Singapore, have become the main winners under the EC scheme.

The Commission has also looked at the cumbersome workings of its scheme and found it wanting. The GSP is expensive to run. In addition all arrangements are reviewed every year, which means that an exporter can never plan ahead. Moreover, as the duty-free arrangements are offered only on fixed quantities, these sometimes are exhausted in the first few days of the year, distorting patterns of production. The very existence of these limits hits the countries that rely mainly on one or two products for their export earnings.

The EC is trying to change the nature of the GSP to make it more compatible with Gatt. It plans to encourage developing countries to take part in Gatt talks, with a view to using the GSP as a way of accelerating the introduction of lower duties that would come about anyway as a result of the Uruguay Round.

It also plans to make the GSP more attractive by extending the range of products it covers, increasing the number of countries covered to include some of the poorer ones in eastern Europe and to make the system simpler and clearer. The idea is to replace limits on quantities with more flexible rules that take into account the importance of an export to a given country and its level of competitiveness.

Benefits should be guaranteed for three years, rather than one. The Commission hopes that its ideas – likely to be introduced in 1992 – will be adopted by other OECD countries. Indeed it argues that differences in the schemes offered by different countries cannot be allowed to persist.

Despite pessimism among some trade experts at the chances of improving the scheme, everyone recognises it is politically impossible for the EC to scrap it, especially when it is being criticised for concentrating too much on eastern Europe and too little on developing countries.

Gatt finds success on disputes mechanism

By William Dullforce in Geneva

GATT's capacity to handle trade disputes is almost certain to be enhanced at the end of the Uruguay Round.

A new mechanism would provide faster examination of complaints, introduce an appeals body and probably ensure prompter implementation of Gatt rulings.

Although countries are still considering options, the shape of the new mechanism clearly emerges from the report to the Trade Negotiations Committee this week by Mr Julio Lacarte-Muro, chairman of the negotiating group.

A central issue which remains open is whether the new system would be credible enough to persuade the US to stop taking unilateral action against trading partners under Section 301 of its Trade Act. Compelling the US to abide by multilateral trade rules is a major objective for most other participants in the Round.

The US says that unilateral action can be contained only if there are clear rules, enforceable through dispute procedures that eliminate delay and opportunities for blockage.

Under the scheme outlined in the Lacarte-Muro report an appeals body, comprising a small number of members, would be able to uphold, modify or reverse rulings by Gatt dispute panels. It would have to work within a time limit of two months.

Many countries see the introduction of an appeals body as a means of allowing panel rulings to be adopted by the Gatt council automatically.

It is agreed that the period of time a country is allowed for implementing a Gatt ruling must be limited. Under one option, countries which could not agree on implementation would be subject to a binding arbitration process which would not last more than three months.

Mr Lacarte-Muro reports "an overall desire" to provide the system with further incentives to ensure swift implementation. Among the options under discussion is an automatic right to retaliation by the injured country.

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Miners' unions dispute funds from east Europe

By William Dawkins in Paris and Michael Smith in London

THE International Miners' Organisation (IMO) was yesterday refusing to hand over £1.4m of disputed donations claimed as its own by Britain's National Union of Mineworkers (NUM).

"There are no concessions, only discussions," said Mr Alain Simon, IMO secretary general, before going into a meeting with an NUM delegation at a hotel near the Charles de Gaulle airport, Paris.

The meeting came as leaders of 9,000 miners in the north-east of England condemned the NUM executive for its decision last week to take legal action action against NUM president Mr Arthur Scargill and Mr Peter Heathfield, NUM secretary, over money donated from the Soviet Union and other east European countries during the 1984-85 miners' strike.

Mr David Hopper, area general secretary, said the dispute over the ownership of the £4m should be resolved by discussion with the IMO. Going through the courts could involve spending more money than the disputed £1.4m.

In Paris the meeting, between Mr Arthur Scargill, president of both the NUM and the IMO, a four-man NUM delegation and members of the IMO, continued into the early evening with little sign of progress.

Earlier Mr Simon repeated that the money, frozen in a Dublin bank account for the past five days, represented membership fees and donations for use by miners' unions across the world, and not, as claimed by the NUM, for the sole use of British miners.

The NUM believes it was donated by Soviet and East European miners during the 1984-85 pit strike, for the British miners' sole use. Mr Simon accused lawyers of manipulating the NUM executive committee and maintained that the cash was a secondary problem.

Mr Simon argued that the IMO had adequate financial records and that its members – 43 mining unions in 39 countries – had accepted them at its last full meeting in Cairo, Egypt. But he said he had come to the meeting without these documents, which he was not in any case prepared to show to the NUM's lawyers.

Car bomb in Armargh kills four

THREE RUC officers and a Roman Catholic nun were killed when terrorists detonated a landmine – thought to contain 1,000 lb of explosives – under a police car near Armagh in Northern Ireland yesterday, writes Our Belfast Correspondent.

The bomb, one of the largest used this year, was detonated by a command wire from a house overlooking the scene of the attack, where a family was held hostage. The unmarked police car was blown over a high hedge into a field.

The nun – the first member of a religious denomination killed in Northern Ireland since the troubles began 20 years ago – was travelling in the opposite direction in a car with another woman, believed to be a social worker.

No-one claimed responsibility, but detectives blamed the republican IRA.

● Mr Desmond Ellis, wanted by British police in connection with an IRA bombing campaign in London in the early 1980's, has begun a legal battle in the High Court in Dublin against extradition to Britain.

The case of Mr Ellis, 37, is the first to be brought under the terms of the Irish Republic's 1987 Extradition Act, which according to the Irish authorities, closed various loopholes in the law.

Opposition politician attacks pace of European union

By Michael Cassell, Political Correspondent

THE present "head-long rush" towards European economic, monetary and political union would result in the destruction of democratic self-government, Mr Peter Shore, a former Labour Cabinet minister, claimed yesterday.

Mr Shore, whose views on European development are shared by a significant number of MPs in the opposition Labour party, told a meeting of the Bruges Group in London that the European Community had to be based on the willing co-operation of sovereign states and not upon the creation of a European super-state.

He warned that the Delors proposals for economic and monetary union would leave nation states unable to make the key economic decisions that affected national life. Power would pass to a Euro-Fed bank, a committee of governors of central banks and to the European Commission.

Mr Shore, who said that Labour's pre-conditions for entry to the exchange rate mechanism of the European Monetary System were unlikely to be met at present, said the drive towards economic and monetary union had little do with economics and was primarily politically motivated.

He added: "The European federalists will pursue any objective, provided it achieves two basic aims: it weakens the powers of their elected governments of the nation states and it strengthens the powers of the European institutions, whether elected or not."

He said the federalists wrongly believed the best way to tether a powerful, united Germany into Europe was for all countries to embrace economic, monetary and political union. "They are wrong. If there is one thing guaranteed to increase the relative power of the German economy in Europe, it is EMU."

Mr Shore also criticised Sir Leon Brittan, the EC Commissioner for competition policy, when he asked whether Britain wished to be part of a European monetary zone, which it could influence, or part of a D-mark zone over which it had no control. He said Sir Leon had posed an "absurd" choice, leaving out the option of joining neither the ERM nor EMU.

He acknowledged that the momentum behind the drive for European union was going to be very hard to resist, but said Britain would and should withstand all such pressures in the interests of its future as a democratic nation.

Breathing space for PowerGen purchaser

David Thomas considers Hanson's possible plans for an electricity generating concern

ANYONE buying PowerGen, one of the two electricity generating companies in England and Wales heading for privatisation, will have three years in which to get the company into shape.

That thought will not have escaped the senior executives of Hanson, the industrial conglomerate, when they first told the Department of Energy of their interest in buying PowerGen a few weeks ago.

PowerGen and National Power, its larger rival, were obliged to sign three-year contracts to take the great bulk of their coal from high-cost British Coal, as part of the elaborate transitional arrangements put in place by the Government to usher the industry into the private sector.

Mr John Wakeham, Energy Secretary, told the Commons on Monday that a private purchaser of PowerGen would have to inherit its contractual obligations, including its coal contract.

Since its coal burn accounts for about 65 per cent of PowerGen's costs, Hanson – or any other owner of PowerGen – will have limited scope for tackling this huge chunk of costs in the first three years.

However, Mr Wakeham also stressed that PowerGen would be free to buy coal where it wants, once the three year contract runs out.

PowerGen has told the Commons Energy Committee that it expects its use of British coal to fall from its present 25m tonnes a year to about 20m tonnes by 1998.

Hanson, with its experience of the international coal market, might accelerate this process. Several of PowerGen's larger coal stations could be supplied by imported coal.

In the shorter term, costs could be squeezed out of PowerGen by shrinking its 9,125-strong workforce. The company's management is understood to be aiming to shed 1,000 jobs over the next three to five years, but some City analysts believe there is scope to lose twice that number.

PowerGen's headquarters in Birmingham appears vulnerable to a Hanson-style management. PowerGen is currently planning to close some of its older coal-fired stations, though the closure programmes might be accelerated.

Some analysts would be surprised if any of PowerGen's six operational stations built before 1960 were operating in a few years. A new owner of PowerGen will also inherit a heavy capital spending programme. Mr Wakeham said on Monday any owner must "carry out certain expenditure on environmental plant."

PowerGen is keen to invest in the new wave of gas-fired power stations, which are environmentally friendly and relatively cheap. City opinion is divided on how a Hanson purchase would affect this aspect of PowerGen's plans. On one hand, PowerGen would be able to call on the resources of a larger group in financing the new stations. On the other hand, Hanson might subject such proposals to tougher scrutiny.

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BRITAIN IN BRIEF

Defence spending could halve

Britain could cut its defence spending by 50 per cent in real terms by the end of the century and still retain adequate forces to meet its defence commitments if the Soviet military threat to Western Europe continues to decline, according to an independent report.

The report, published today by the Saferworld Foundation to coincide with an important Cabinet meeting and a "probable" announcement in the House of Commons on the future of Britain's armed forces, recommends substantial cuts affecting all three services.

It estimates that the proposed cuts would allow the UK to reduce the proportion of its GNP devoted to defence from nearly 4 per cent today to about 1.6 per cent by the year 2,000.

Cuts of this size could produce "a peace dividend" of more than £60bn over the next decade.

Sea may cause infections

Bathing in the sea off Britain's coast is likely to cause gastroenteritis, inflammation of the ear, nose and throat and some skin irritations.

The information comes from a report on beach pollution published yesterday by the cross-party Commons Environment Committee.

But the report says there has been no outbreak of serious disease in the UK associated with sea bathing and that the risk of getting such a disease is minimal.

It condemns successive administrations for acting too slowly to clean up beaches and says there is a lack of public confidence in government policy.

Holidays likely to enter RPI

THE price of holidays looks increasingly likely to be incorporated into the Retail Prices Index, it emerged yesterday.

The RPI advisory committee said the approaching single European market made distinguishing between payments made here and overseas anachronistic.

The committee has concluded in its final report for Mr John Major, the Chancellor, that "in principle the RPI should relate to the expenditure of 'index' households resident in the UK, wherever consumption takes place or payment is made."

Tiered services cut health costs

Ambulance services which have separated emergency work from routine activities have saved money and improved the quality of service, a National Audit Office report says today.

The report says that tiered services, with separate crews and vehicles handling accident and emergency work, are most likely to provide benefits in metropolitan areas with high population density.

Experience showed that these benefits included lower costs per patient journey and faster despatch of ambulances to emergencies.

Britain's ambulance services cost about £400m a year to run. Career breaks, Page 8

Rail telecoms to be upgraded

British Rail plans to invest up to £400m to upgrade its telecommunications network over the next five years.

The investment is part of an attempt to compete with British Telecom and Mercury Communications.

BR Telecom wishes to act as a "carrier's carrier", providing access to its infrastructure for other telecommunications operators such as cellular companies, cable TV companies and re-sellers.

● British Rail is to enter a joint venture with the private sector to introduce the "piggyback" method of transporting road freight by rail to the UK.

The joint venture, called Charterail, is to be 22 per cent owned by BR, 15 per cent by the engineering group GKN, and 63 per cent by City venture capital organisations.

BBC 'not paranoid'

The BBC will not become "paranoid" about television ratings in an age of intense competition for audiences Mr Marmaduke Hussey, the BBC chairman, said yesterday.

He told the American Chamber of Commerce in London that the Corporation was "paranoid" about "quality, diversity and talent."

Despite financial pressures the BBC would still be able to offer a broader agenda and a greater depth than those competing for commercial advantage in an increasingly competitive market.

Housing inquiry

The Inquiry into British Housing, run by the Joseph Rowntree Foundation and chaired by the Duke of Edinburgh today attacks Government support for housing as unfair and inefficient.

Members of the Inquiry said that they were disturbed by the 50 per cent increase, in real terms, in mortgage interest tax relief over the past five years.

They said this had fuelled the increase in house prices, and helped to force up interest rates.

BAe satellite

British Aerospace has applied for a satellite communications licence in West Germany as part of its ambition to become a major force in global satellite communications.

BAe Communications already has a satellite communications licence in the UK, but a German licence would be much more attractive because it would allow the company to carry two-way and international services. Its British licence restricts it to carrying one-way services within western Europe.

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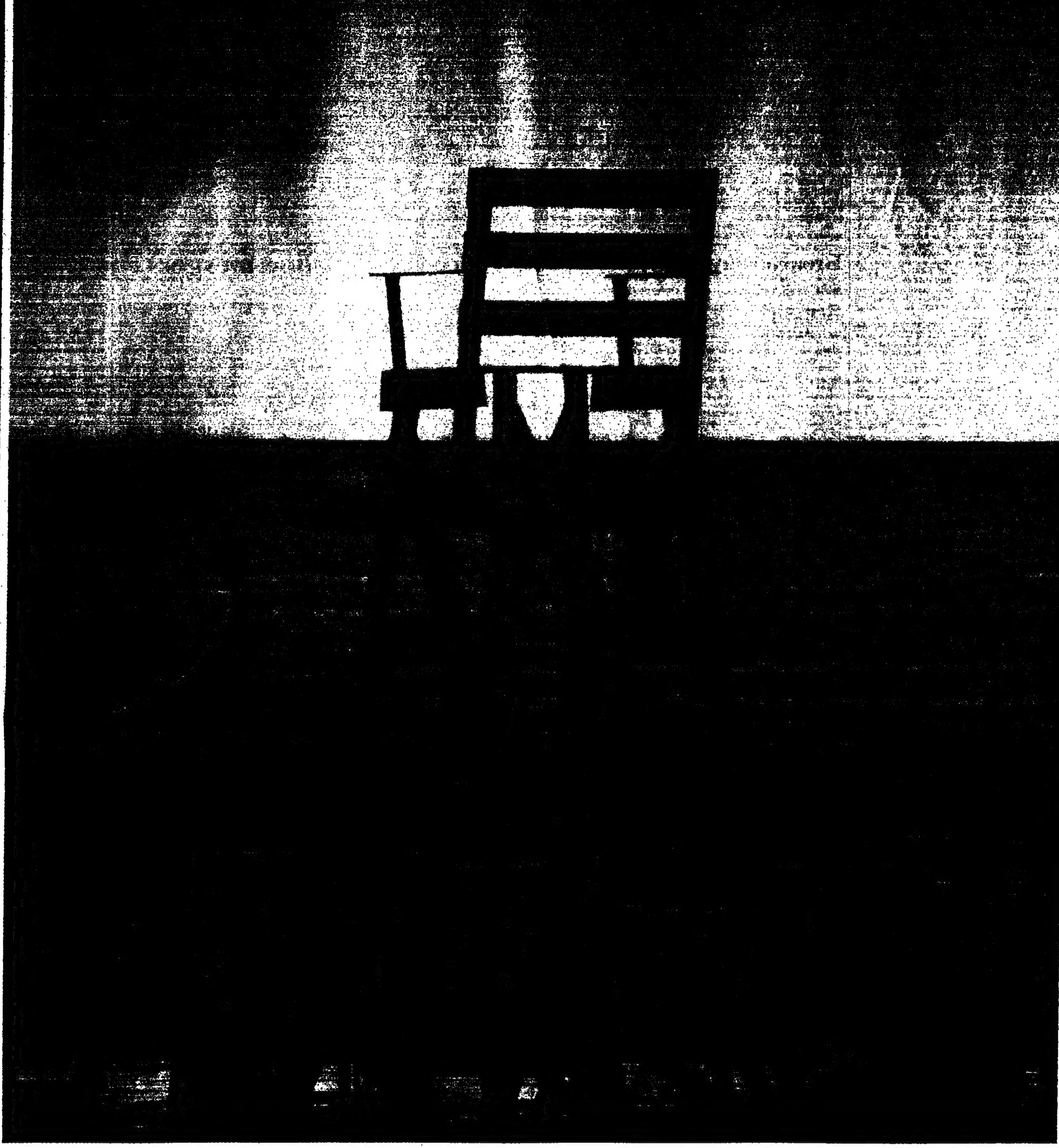

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UK NEWS

Health Service to allow workers career breaks

By Lisa Wood, Labour Staff

THE NATIONAL Health Service, Britain's largest employer, announced yesterday that its doctors, nurses and other workers will be able to take career breaks of up to five years.

The aim is to retain staff, particularly women, who want to leave the service temporarily in order to bring up a family or care for elderly relatives.

Career breaks have started to be introduced into several areas of British commercial and industrial life as employers' grapple with demographic trends and the contracting pool of young recruits. Many schemes however have only applied to women judged to be "high-flyers."

The NHS scheme announced yesterday by Mrs Virginia Bottomley, the Health Minister, will apply to all NHS workers who want to take time off because of domestic commitments. The leave, however, cannot be used for a worldwide trip or a job with another employer.

Mrs Bottomley said: "The NHS, like every employer in the country, is facing fierce competition for skilled employees as the number of school leavers continues to decline.

"We have repeatedly stressed how important this makes it to retain trained and dedicated staff and attract back those who have left – especially women with family responsibilities.

"These are not only mothers with young children, but also some of those with elderly or dependent relatives. These people are the human capital of the service – we cannot afford to squander it."

The agreement has been welcomed by health service trade unions. It was negotiated in the General Whitley Council and covers England, Wales and Scotland. It is intended to help local managers to develop their own staff recruitment, retention and returner strategies in the light of local need. Staff taking advantage of the scheme will receive no retainer fee or pay unless they return to work temporarily during their break.

The agreement also recognises that staff would expect to return to "broadly similar duties" and pay but no guarantees are made of old jobs.

The Royal College of Nursing said that although the career break was for both men and women they would be particularly good for women who would be able to have more flexible career or family choices.

Labour commits itself to a high-speed rail link

By Richard Tomkins, Transport Correspondent

MR JOHN Prescott, the opposition Labour Party's spokesman on transport, yesterday attempted to seize the political initiative on transport by committing a Labour government to the development of a UK high-speed rail network.

On taking office, Mr Prescott said, Labour would immediately establish an independent Commission of Inquiry to examine Britain's railway network and come up with proposals for establishing high-speed links between the regions and the Channel tunnel linking Britain and France.

He said Labour would ask the commission to look at the feasibility of using new and existing lines to create a route from the tunnel to Scotland at an estimated cost of £5bn.

Mr Prescott's proposals appear aimed at capitalising on the widespread perception that Britain's public transport infrastructure is lagging behind that of comparable countries on the Continent.

The only high-speed line at present proposed for Britain is the much-delayed link between London and the Channel tunnel. This went back to the drawing board in June when it ran into further problems over financing.

Mr Prescott accused the Government of prevarication and lack of vision over investment in public transport, saying Britain was in danger of entering the 21st century with its trains running at speeds 100 mph below those of France's train a grande vitesse.

"High speed transport transport is crucial to overcome the geographical disadvantage of Britain on the periphery of Europe," he said.

Labour's suggested line would follow a new, dedicated high-speed route from the Channel tunnel to London King's Cross north of the Thames via North Kent and Ashford. Beyond London, another dedicated route would run from London to Rugby in central England.

From there, further fresh track could parallel the M6 motorway to Manchester in north west England.

The route would then follow new or existing tracks across the Pennines before joining the East Coast main line south of York.

Mr Prescott said one way of financing the project would be to relax Treasury constraints on British Rail's ability to tap the financial markets, so freeing it to raise funds in the same way as Continental railways.

But in a departure from previous Labour policy, Mr Prescott said a more attractive avenue might be to seek private sector involvement by setting up a consortium similar to the BR/Trafalgar House/BICC venture which recently failed in its bid to build the Channel tunnel link.

Mr Cecil Parkinson, the Transport Secretary, condemned Labour's plans as "hugely expensive and almost certainly hugely uneconomic."

He said that allowing BR to copy the French and West German example by borrowing from the private sector would risk the build-up of vast debts that would later have to written off at the taxpayer's expense.

EC research funds used 'against' UK interest

By John Authers

A HOUSE of Lords Committee said yesterday that the UK Treasury's handling of the EC's funds for research and development "operates against the national interest and the needs of industry."

The priorities of scientific researchers working on environmental problems, large-scale projects which are too costly for one nation alone to support, and schemes needed for the introduction of common standards after the completion of the single market, could be distorted, the report on the European Community says.

It adds that the Treasury treats the allocation of funds as an institutional problem, "as if it were a matter solely for Whitehall." The committee thinks that all problems of UK relations to the EC legislative machinery should be scrutinised by Parliament.

The Lords also complain that the Treasury's system is not independently monitored, and that the methods used by other countries to attribute funds have not been studied by officials. All EC funds are supposed, under Community law, to be in addition to public expenditure, and not in lieu of it. Extra funding from Europe should not lead to an overall cut in public expenditure.

The Treasury told the committee that only between 30 and 35 per cent of EC funding is truly additional. The Lords say that no evidence was given to support this assertion, and add that the figure seems "completely arbitrary" unless evidence is produced. They add that this percentage is "clearly far too low."

The report suggests that if universities and private sector researchers obtaining funds from the EC then suffer a cut in their UK public funds, the system could "lead to a distortion in the priorities of the scientific community."

It also criticises the European Commission's "cumbersome and bureaucratic" procedures.

● *A Community Framework for R & D, Select Committee on the European Communities. Published by HMSO, £15.45net.*

Breaches by securities firms rise

By Richard Waters

DISCIPLINARY action against UK securities firms rose sharply last year, according to the annual report of The Securities Association, which stressed that this did not reflect a decline in standards, but the fact that the Financial Services Act regime was not fully in force before.

Publishing its annual report for the year to 24 March, the main regulator for the securities industry said it had issued 110 warnings to its 1,008 members over breaches of its rules, compared with only 36 warnings the year before. This does not mean that more than one firm in 10 has been censured, since many midemeanours involve more than warning, it said.

In addition, the number of formal directions (a more serious step than a warning) doubled from seven to 14, while protective intervention orders (preventing a firm from conducting business) doubled from three to six. The number of settlements (where firms are reprimanded or fined) rose from six to nine. There were two disciplinary tribunals, compared to none the previous year.

CAA hints at risks from airline mergers

By Paul Abrahams

THE growing trend towards cross-border links and mergers in the airline industry could lead to a few mega-carriers dominating services in Europe, the Civil Aviation Authority (CAA) hinted yesterday.

Sir Christopher Tugendhat, chairman of the CAA, said there was a risk that unless there was continuing regulation of European mergers, the existing domination of national markets in Europe would be replaced by concentration on a Community-wide scale.

Sir Christopher admits in the CAA's annual report published yesterday, that the organisation's existing staff have been serverely stretched in carrying out its capital investment programme. It is planning to recruit project managers from industry.

The CAA also plans to take on 240 cadet air traffic controllers a year to meet demand created by a 6 per cent growth in air traffic in the UK last year, despite a downturn in charter traffic.

The number of passengers using UK terminals in the year to March 31 increased from 94.8m in 1988 to more than 100m in 1989, demonstrating the strong growth in scheduled sector.

London's Heathrow Airport broke the record for its busiest day on June 30, August 25 and again on March 25 1990, when 1,162 movements were handled. On June 29, a new peak was set at 1,230 movements.

Sir Christopher Tugendhat: voicing concerns over European mergers

To meet the increase in traffic the CAA invested about £80m in new equipment and facilities last year. It plans to invest £80m this year and more than £100m a year from then on, subject to Government approval.

The CAA is also investing in human resources to manage traffic growth. The average delay on charter flights fell last year at airports such as London Gatwick (from 42 to 36 minutes), Manchester (from 32 to 28 minutes) and at Birmingham (from 23 to 20 minutes). Average delays on scheduled flights increased from 18 to 19 minutes.

The number of air-misses on commercial aircraft dropped from 92 to 85 last year.

The CAA report also said airlines are failing to refund passengers they have overcharged. Problems arose when airlines implemented fare increases before they were officially approved, said Mr Clifford Paice, CAA economic regulation director.

Reed International shares fall after profit warning

By Maggie Urry

SHARES of Reed International, the publishing group, fell 32p to 433p after the chairman struck a note of caution at yesterday's annual meeting.

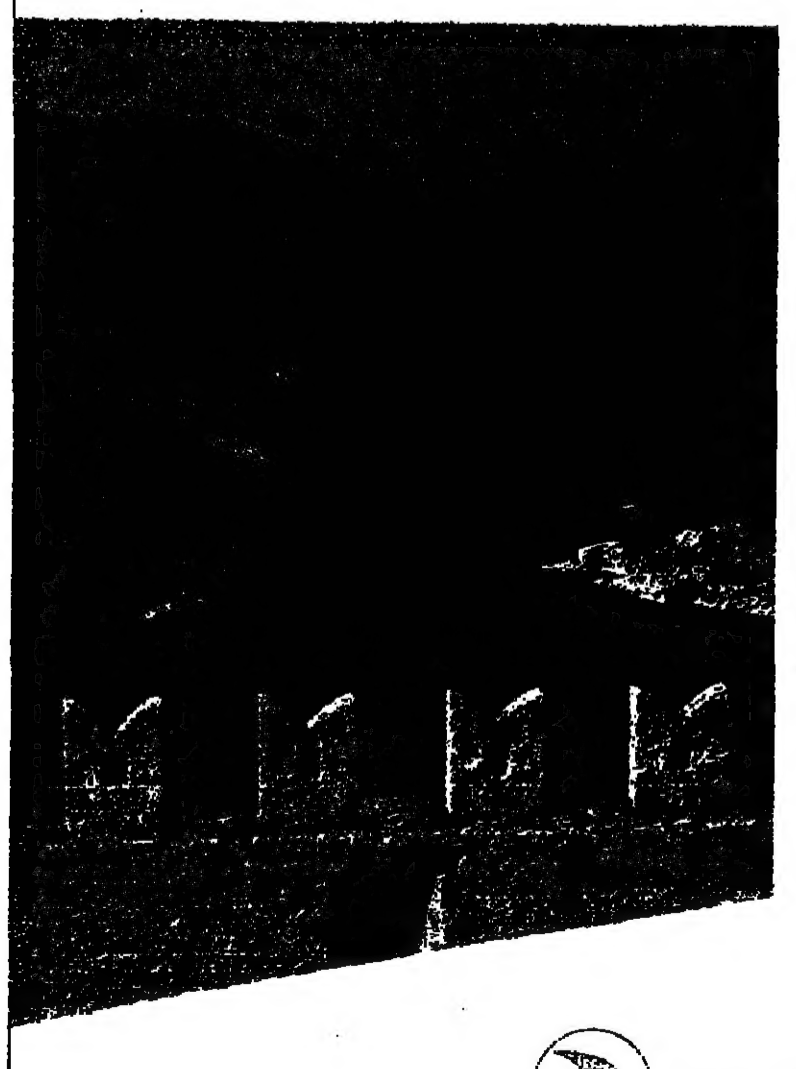
Mr Peter Davis, chairman, told shareholders Reed would still produce record profits before tax in its current year, despite adverse factors such as the strength of sterling.

In the year to March 1990 Reed's profits were £276m before tax and exceptional items and £302m including exceptional profits, which mainly related to property.

Reed spans business publishing in Europe and the US, consumer publishing and books. Mr Davis said three external factors were affecting current trading. The first was a weakening of business confidence in the UK which was adding to existing pressures on advertising and the consumer-linked businesses; secondly, the strength of sterling was affecting the translation of profits from the US business, which now accounts for 40 per cent of group revenue; and, thirdly, there was unlikely to be any exceptional profits this year.

Lex, Page 14

SAILING TO 400 B.C.



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426	436	447	458	468	479	490	500	511	522	532	543	553
564	575	585	596	607	617	628	639	649	660	670	681	692
702	713	724	734	745	756	766	777	787	798	809	819	830
841	851	862	873	883	894	904	915	926	936	947	958	968
979	990	1000	1011	1022	1032	1043	1053	1064	1075	1085	1096	1107
1117	1128	1139	1149	1160	1170	1181	1192	1202	1213	1224	1234	1245
1256	1266	1277	1287	1298	1309	1319	1330	1341	1351	1362	1373	1383
1394	1404	1415	1426	1436	1447	1458	1468	1479	1490	1500	1511	1522
1532	1543	1553	1564	1575	1585	1596	1607	1617	1628	1639	1649	1660
1670	1681	1692	1702	1713	1724	1734	1745	1756	1766	1777	1787	1798
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FT LAW REPORTS

Civil ban on DIY Sunday trading

STOKE-ON-TRENT CITY COUNCIL v B & Q PLC
NORWICH CITY COUNCIL v B & Q PLC
Chancery Division: Mr Justice Hoffmann:
July 18 1990

UK SUNDAY trading legislation complies with EC law because it has the legitimate socio-cultural purpose of insuring that most shopworkers have a day off on Sunday; and because the legislature's reasonably tenable view is that any resulting restriction on EC imports is not disproportionate to the importance of achieving that purpose, and that it could not be achieved by other means with less hindrance to trade. And the civil court may grant injunctions prohibiting do-it-yourself shops from opening on Sunday, if that is the only effective way to stop their systematic criminal breaches of the law.

Mr Justice Hoffmann so held when granting Stoke on Trent City Council and Norwich City Council injunctions to restrain B & Q plc from Sunday trading in Hanley and Norwich.

Section 47 of the Shops Act 1950 provides: "Every shop shall, save as otherwise provided . . . be closed for the serving of customers on Sunday".

Article 30 of the Treaty of Rome provides: "Quantitive restrictions on imports and all measures having equivalent effect shall . . . be prohibited between members states".

HIS LORDSHIP said that the local authorities sought injunctions to restrain B & Q from contravening section 47 of the Shops Act 1950 by opening do-it-yourself shops in Hanley and Norwich on Sundays.

Section 47 made Sunday trading a criminal offence punishable by fine. B & Q said section 47 was unenforceable because it infringed article 30 of the Treaty of Rome.

The Treaty of Rome was the supreme law in the UK taking precedence over Acts of Parliament. It was the function of the European Court to interpret the Treaty, and for national courts to apply it. In applying the Treaty as interpreted by the Court, the national court must not trespass on questions which were for democratic decision in Parliament.

Section 47 provided that shops should be closed for the serving of customers on Sunday, except for transactions mentioned in Schedule 5 to the Act. Schedule 5 permitted Sunday sales of such goods as newspapers, flowers and confectionery. Article 30 of the Treaty prohibited quantitive restrictions on imports and "all measures having equivalent effect" between member states.

B & Q said that the prohibition on Sunday trading was a measure having "equivalent effect" to a quantitive restriction on imports because enforcing the law caused a net fall in turnover, including on sales of imported goods.

In 1988 B & Q raised the article 30 defence in a prosecution by Torfaen Borough Council before the Cwmbran magistrates. The magistrates made a reference to the European Court. They requested a preliminary ruling as to whether a prohibition on Sunday trading which had the effect of reducing sales and imports, was a measure having equivalent effect to a quantitive restriction on imports within article 30.

The Court recalled that in *Cinetheque [1985] ECR 2605* it had held that a restriction applicable to domestic and imported products alike was not compatible with the principle of free movement of goods "unless any obstacle to Community trade thereby created did not exceed what was necessary in order to ensure the attainment of the objective in view and unless that objective was justified with regard to Community law".

It said rules relating to the opening hours of retail premises reflected political and economic choices in so far as their purpose was to ensure that working hours were so arranged as to "accord with national or regional socio-cultural characteristics", and were a matter for the member states. It said the question whether the effect of specific national rules remained within the limit of what was necessary to achieve the aim was a question of fact to be determined by the national court.

Its reply to the Cwmbran magistrates was that the article 30 prohibition "does not apply to national rules prohibiting retailers from opening their premises on Sunday where the restrictive effects on Community trade which may result therefrom do not exceed the effects intrinsic to rules of that kind".

The effect of *Torfaen*, in the light of developing jurisprudence relating to article 30, was tolerably plain.

The Court decided that the validity of the English Sunday trading law depended on the answers to two questions: (1) did the law pursue an aim which was justified with regard to EC law? (2) Did the effect of the law exceed what was necessary to achieve the end in view? The court itself had answered the first question. It was plain that the purpose of section 47 was to arrange shop hours to accord with the "regional socio-cultural characteristic" by which people generally did not work on Sundays.

With regard to the second question, it was plain that the Court regarded the case as governed by *Cinetheque*.

EC law applied a requirement of "proportionality" to all trade restrictions – "You must not use a steam hammer to crack a nut if a nutcracker would do" (*Goldstein [1983] 1 WLR 151,155*). If the court was satisfied on the basis of judicial notice that the requirements of proportionality had been met, there was no need for the prosecution to adduce oral or documentary evidence. Judicial notice included matters of a public nature such as history, social customs and public opinion.

The aim of section 47 was to ensure that so far as possible shopkeepers and shop assistants did not have to work on Sunday. That view was supported by parliamentary history and subsequent judicial comment.

Section 47 was derived from the Shops (Sunday Trading Restrictions) Act 1936, which originated in a private members' bill. Its sponsor painted a picture of other workers spending summer Sundays going into the country, returning with fruit and flowers, and shop workers denied those delights. Someone had to sell the fruit and flowers. Cafes selling light refreshments had to be able to stay open.

That kind of reasoning, based on necessity and tradition, produced the list of excepted items now reproduced in Schedule 5 to the 1950 Act.

This was a case of a sovereign legislature acting to further what the European Court had held to be legitimate objectives. It was subject only to a requirement that the measure should not be disproportionate to the importance of its objective.

It was not the court's function to carry out the balancing exercise of proportionality or to form its own view on whether the legislative objective could be achieved by other means (see article 3 Directive 70/50 December 22 1969). The court's duty was only to inquire whether the compromise adopted by the UK Parliament so far as it affected EC trade, was one which a reasonable legislature could have reached.

In passing the 1936 Act and in refusing to accept modifications since that date, Parliament must be taken to have decided that the objective of preventing shop workers from being or feeling under economic pressure to work on Sunday was sufficient to outweigh inconvenience to people who wanted to shop or work, or any loss of trade for the economy as a whole.

Whether or not the court agreed with that view, it was a view capable of forming a rational basis for legislation.

The criteria for grant of an injunction by the civil court in a criminal matter were: (1) the jurisdiction was to exercised exceptionally and with great caution; (2) there must be something more than mere infringement of the criminal law; (3) there must be an inference that the defendant's unlawful operations would continue unless restrained by law, and that nothing short of an injunction would be effective to restrain them. (*City of London v Bovis (1988) 86 LGR 660,681*)

The court was not dealing with casual offences but with a profitable business which owed a great deal of its success to systematic breaches of the law. That made the case exceptional and showed that continued criminal prosecution was not likely to be effective to secure compliance.

In the absence of assurance or undertaking, the local authorities were entitled to injunctions.

For the local authorities: Stuart Isaacs and Neil Calver (Sharpe Pritchard)
For B & Q: David Vaughan QC, Gerald Barling, Nicholas Davidson and David Anderson (Hepherd Winstanley & Pugh)

Rachel Davies
Barrister

RETAILING

The Financial Times proposes to publish this survey on:

28th September 1990

For a full editorial synopsis and advertisement details, please contact

JONATHAN WALLIS
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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

LEGAL NOTICES

Supreme Court of the State of New York
County of New York

Index No. 11985/90
Plaintiff(s) designates New York County as the place of trial
The basis of the venue is
ATTACHMENT OF PROPERTY IN NEW YORK
Summons with Notice
Plaintiff(s) reside(s) at 50 Park Lane, Golf, Illinois 60029 County of

TRANSNORD, INC.,

against

THAMES SHIPPING CO., LTD.,

To The above named Defendants
You are hereby summoned to answer the complaint in this action and to serve a copy of your answer, or, if the complaint is not served with this summons, to serve a notice of appearance, on the Plaintiff's Attorney(s) within 20 days after the service of this summons, exclusive of the day of service (or within 30 days after the service is complete if this summons is not personally delivered to you within the State of New York; and in case of your failure to appear or answer, judgement will be taken against you by default for the relief demand herein.

Dated June 25, 1990

Defendants address.
Mignot Plateau, P O Box 122
St. Peter Port, Guernsey, Channel Islands
Notice. the nature of this action is Breach of Contract
The relief sought is a money judgement

Attorney(s) for Plaintiff(s)
Office and Post Office Address
FREEHILL, HOGAN & MAHAR
80 Pine Street,
New York, New York 10005

Upon your failure to appear, judgement will be taken against you by default for the sum of $18,116.00 with interest from June 25, 1990 and the costs of this action

BETA SEEDS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at Telford Moat House, Foregate, Telford Centre, Telford, Shropshire on 2 August 1990 at 10.00 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditor's committee by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to us at the address shown below, no later than noon on 1 August 1990, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3 11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned, photocopies (including faxed copies) are not acceptable.

Dated. 19 July 1990

Ian N Carruthers and John F Powell
Joint Administrative Receivers
Cork Gully,
43 Temple Row,
Birmingham B2 5JT

James Bent (Agricultural Supplies) Limited

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at Telford Moat House, Foregate, Telford Centre, Telford, Shropshire on 3 August 1990 at 10.30 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to us at the address shown below no later than noon on 2 August 1990, written details of the debt they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986, and

(b) there gas been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.
Dated 19 July 1990
Ian N Carruthers and John F Powell
Joint Administrative Receivers
Cork Gully
43 Temple Row,
Birmingham, B2 5JT

HODGES & MOSS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at Telford Moat House, Foregate, Telford Centre, Telford, Shropshire on 3 August 1990 at 10.30 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditor's committee by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to us at the address shown below, no later than noon on 2 August 1990, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986, and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please notes that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned, photocopies (including faxed copies) are not acceptable.

Dated: 19 July 1990

Ian N Carruthers and John F Powell
Joint Administrative Receivers
Cork Gully,
43 Temple Row,
Birmingham B2 5JT

COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN PIONEER ELECTRONIC CORPORATION

EDR Holders are informed that Pioneer Electronic Corporation has paid a dividend to holders of record 31st March, 1990 of Yen 10 per Yen 50 Share of Common Stock, and the Depositary has converted the net amount after deduction of Japanese withholding taxes into United States Dollars.

EDR Holders may now present Coupon No. 9 for payment.

Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries having such arrangements are as follows:-

A.R. of Egypt	F.R. of Germany	Malaysia	Singapore
Australia	Finland	The Netherlands	Spain
Belgium	France	New Zealand	Sweden
Brazil	Hungary	Norway	Switzerland
Canada	Indonesia	P.R. of China	USSR
Czechoslovakia	Ireland	Poland	United Kingdom
Denmark	Italy	Rep. of Korea	U.S. of America
		Romania	Zambia

Failing receipt of a valid affidavit, Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate 20% will also be applied to any dividends unclaimed after 31st October, 1990.

Amounts payable per EDR of 1,000 Shares against Coupon No. 9.

Gross Dividend	Dividend Less 15% Withholding Tax	Dividend Less 20% Withholding Tax
US$ 66.23	US$ 56.29	US$ 52.98

Depositary
Bank of Tokyo International Limited
25th July 1990
London

Agent
The Bank of Tokyo (Lux.) S.A.
Luxembourg

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PROFIS FÜR DIE DDR!

Eine Initiative der TREUHANDANSTALT, Berlin

Der DDR-Wirtschaft zu Wettbewerbsfähigkeit nach westlichen Maßstäben zu verhelfen, ist in unser aller Interesse. Ein wichtiger Schritt dazu ist die Privatisierung der früheren volkseigenen Betriebe und Kombinate. Für die praktische Durchführung benötigen die Treuhandanstalt der DDR und die von ihr zu gründenden Treuhand-Aktiengesellschaften Tatkraft und Erfahrung von unternehmerisch denkenden und handelnden Führungskräften.

Benötigt werden Fachleute aller Branchen mit:

- langjähriger Führungserfahrung auf Vorstands- oder Geschäftsführungsebene in Unternehmen oder Unternehmensteilen mit Umsätzen in Milliarden-Größenordnung,
- Erfahrung bei Kauf und Verkauf von Unternehmen sowie Sanierungserfahrung,
- kurzfristiger Verfügbarkeit (spätestens 1. 9. 1990),
- voller Leistungsfähigkeit und der Bereitschaft, einen überdurchschnittlichen Arbeitseinsatz zu erbringen.
- Alter ist kein Hinderungsgrund!

Zu besetzen sind die Vorstandspositionen bei fünf Treuhand-Aktiengesellschaften:

- **Schwerindustrie**
  Stahlproduktion, Bergbau, Hüttenwesen, Chemie, pharmazeutische Industrie, Energiewirtschaft, Gasaufkommen, Netze
- **Investitionsgüterindustrie**
  Anlagenbau, Maschinenbau, Elektrotechnik/Elektronik, Bauwesen, Transport
- **Konsumgüterindustrie**
  Nahrungsmittelindustrie, Gebrauchsgüterindustrie, Handel, Verkehr, Touristik, Gastronomie
- **Dienstleistungen**
  Banken, Sparkassen, Versicherungen, Gewinnspiel, Datenverarbeitung, Kartographie, Verlagswesen, Werbebereiche etc.
- **Land- und Forstwirtschaft**
  bisherige volkseigene Güter, staatliche Forstwirtschaftsbetriebe

Alle Vorstandskandidaten sollten entweder Gesamtverantwortung für ein Unternehmen getragen haben oder wenigstens über die funktionsübergreifende Sicht bei der Gesamtbeurteilung von Unternehmen verfügen. Folgende Arbeitsschwerpunkte sind den einzelnen Ressorts zugeordnet:

- Finanzierung
- Unternehmensverkäufe
- Abwicklung von Firmenschließungen
- Unternehmensentwicklung (Sanierung)
- Controlling
- Personalangelegenheiten

Diese Anzeige richtet sich an jedermann, der glaubt, die genannten Bedingungen zu erfüllen, sei es, daß er zur Zeit ein Unternehmen in der DDR führt, in der Bundesrepublik oder auch im Ausland. Möglicherweise sind geeignete Kandidaten unter jenen Managern, die durch Fusionen, Stillegungen, Firmenverkäufe oder sonstige Wechselfälle des Berufslebens in letzter Zeit aus dem aktiven Dienst vorzeitig ausgeschieden sind. Vor allem bietet sich hier auch eine Chance für Jüngere, die eine Herausforderung suchen und in ihrem heutigen Unternehmen kein kurzfristiges Fortkommen sehen.
Die Positionen bei den Treuhand-Aktiengesellschaften sind mit einem Zeithorizont von 3–5 Jahren zu sehen.

Interessenten, die eher an einer Dauerstellung in einer der aus den Kombinaten und volkseigenen Betrieben hervorgegangenen AGs und GmbHs interessiert sind, sollten dies vermerken. Wir werden nach der vordringlichen Besetzung der Positionen in den Treuhand-Aktiengesellschaften auch solche Kontakte herstellen.

Diese Initiative wird unterstützt vom **Bundesverband der Deutschen Industrie, BDI.** Die Koordination liegt bei der Interconsilium GmbH für Unternehmerberatung, Grünwald. Die Vorstellungsgespräche werden von anerkannten westdeutschen Personalfachleuten geführt. Dazu haben sich dankenswerterweise die Personalchefs folgender Unternehmen bereit erklärt:

ABB	DEMAG	Mannesmann
Audi	EFFEM	Quandt
Babcock	Hoesch	Rheinmetall
Bertelsmann	KHD	SEL
Bosch	Krupp	Steag
Daimler-Benz	Lufthansa	VEBA
DASA	MAN	Volkswagen

Der eingeschaltete Personalberater garantiert jedem Interessenten die absolute Vertraulichkeit seiner Bewerbung und wird Sperrvermerke streng beachten. Falls Sie selbst nicht interessiert sind, überlegen Sie bitte, ob Sie jemanden in Ihrem Bekanntenkreis auf diese Anzeige aufmerksam machen sollten.

Ihre schriftliche Bewerbung mit den üblichen Unterlagen (tabellarischer Lebenslauf, Zeugnisse, Lichtbild, Einkommenssituation) senden Sie bitte an:

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MANAGEMENT

Corporate strategy

Mixed messages emerging from Digital Equipment

The US computer company faces formidable challenges. Louise Kehoe reports

The sprawling complex of 19th century brick buildings that dominates the little New England town of Maynard once housed the world's largest woollen mill. Today, the "Mill" is the headquarters of Digital Equipment Corporation, the world's second largest computer manufacturer.

The path from carpet looms to high speed computer networks has carried Maynard through periods of prosperous growth, but the town's economy has been devastated three times in the past 140 years by financial disasters at the mill.

Nobody is predicting that history will repeat itself. Digital's $2bn cash reserves provide it with ample financial security. Yet the lessons of the past seem particularly appropriate for Digital Equipment as it struggles to regain momentum after a two year earnings slump. Earnings per share fell from $9.90 in 1987-88 to $8.45 in 1988-89. Results for 1989-90 are due to be announced today and analysts predict a figure of about $7.53.

Like its predecessors at the mill, Digital has become one of the leading manufacturing companies of its time. Kenneth Olsen, its president, described by some as the "quintessential American success story", founded Digital as the original minicomputer company 33 years ago. With annual revenues of over $12bn in 1989, Digital is now second to International Business Machines in the industry.

Despite its proud history, though, Digital is now facing competitive challenges every bit as threatening as the debut of man-made fibres which ended woollen textile production at the Maynard mill in 1950.

Over the past ten years, Digital has seen its market for minicomputers used by engineers and scientists invaded by microcomputer-based desktop workstations from new competitors such as Sun Microsystems and Apollo Computer, now a division of Hewlett-Packard.

The basis of its competitive advantage is being further undermined by an industry-wide trend toward standardisation of computer hardware and software – known as "open systems" – that makes computers more like commodity products. Prices and product margins are being squeezed and the industry's sales methods and channels of distribution are shifting to lower cost approaches.

Digital has long targeted IBM as its primary competitor. While so doing, however, both computer giants were slow to recognise the full import of the growing challenge from workstation manufacturers. But while IBM has undertaken a major restructuring, aiming to become "customer driven" rather than "technology driven", Digital is only just beginning to make organisational changes.

"The computer industry is going through a period of extremely rapid changes in both technology and business practices," says Jack Smith, Digital's executive vice president of operations.

However, the question of how the company needs to respond to these trends appears to have provoked a serious divergence of opinion between Digital's top executives. While Smith sees a need for significant changes, Olsen tends to minimise the issues and talks of minor adjustments.

The two appear to differ on Digital's software strategy as well as on the need to cut costs by reducing the workforce.

Proprietary software, such as Digital's VMS minicomputer operating system, is losing ground to open systems based upon the AT&T UNIX operating system as computer users seek the ability to transfer data and applications software between different types and brands of computers.

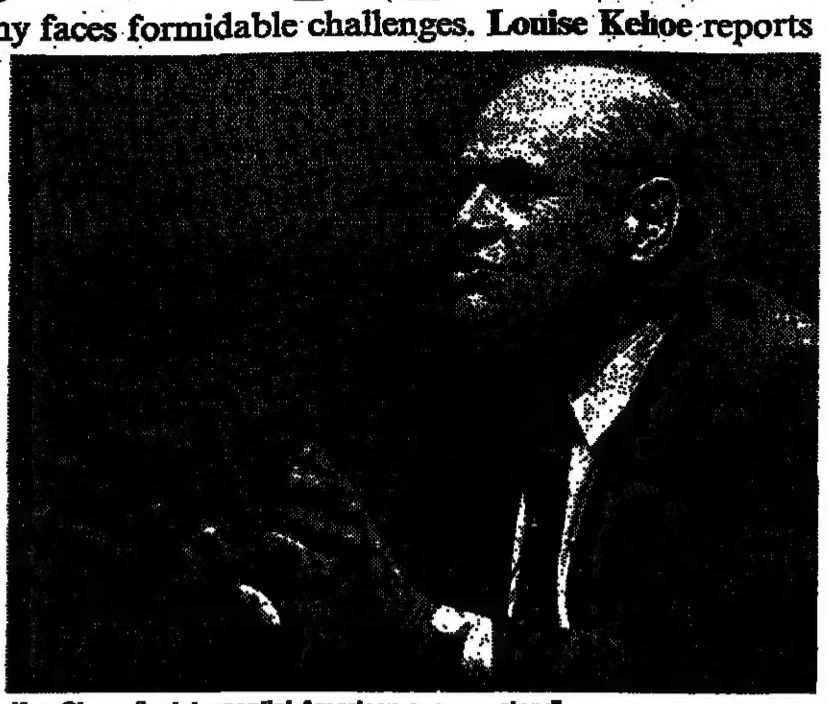
Digital's initial response to the workstation challenges was to seek a broader market for its minicomputers among commercial computer users, such as banks.

It has also increased the performance of its minicomputers to stay ahead of the workstation onslaught. And its highest performance computer is its first to compete directly with IBM and others in the "mainframe" computer market. Digital has high hopes for its new VAX 9000, but has only recently begun shipments.

Last year, Digital made a late but aggressive entry into the UNIX workstation market with a range of products that directly compete with those from Sun Microsystems, the market leader. The DECstation range of workstations, which Digital is expected to expand over the coming months, represents a fundamental departure for Digital which hitherto had always designed its own computer chips and emphasised its own proprietary software.

The split at Digital goes even deeper where UNIX is concerned. Within the ranks of middle managers conservatives back Digital's own proprietary VMS operating system while some of the company's more aggressive marketers are championing UNIX. Given the mixed messages they receive from top management few within the company can be sure which operating system will prevail.

Olsen seems to regard UNIX only as something that must be tolerated in the light of market trends. In comparing UNIX to VMS, Digital's proprietary computer operating system, Olsen uses the curious analogy of a break-dancer and a businessman. UNIX, he suggests, is exciting yet undisciplined whereas VMS has a serious, solid, if somewhat staid character.



Ken Olsen: "quintessential American success story"

He maintains, for example, that UNIX, is "not to be trusted" for critical applications such as banking. He dismisses the fact that the US Defense Department now specifies UNIX as a requirement for its computer purchases with the comment that "they know that they are not going to fight any wars ... for really important applications they use VMS."

What computer users really want, Olsen maintains, is transportability of software and data between different types of computers linked on a network. UNIX is not necessarily the only way to achieve that goal, he implies.

By creating software links between its minicomputers and all sorts of other computers, Digital is effectively addressing the real needs of its customers, says Olsen.

Few can take Olsen's comments entirely seriously, yet they undermine Digital's marketing strategy by bringing into question the company's endorsement of UNIX at a time when the company's European sales force, which has produced more than half of the company's revenues and profits over the past year, is mounting a major effort to sell UNIX systems.

Has Digital truly embraced "open systems" and the UNIX operating system? Jack Smith provides an unequivocal answer. "UNIX is going to become pervasive. It will be a major operating system," he says. "Our product strategy reflects that. We are spending more on development of UNIX products than on enhancements to VMS," the company's proprietary operating system, he says.

As a Digital veteran and the company's number two executive, Smith has a lot riding on his endorsement of UNIX. He is widely regarded as the most likely successor to Olsen, but he faces the tough test of improving the company's earnings performance. Even then, Smith cannot count on the top job at Digital. Olsen, 64, claims to have no plans to retire.

Smith's role is made more uncertain by the fact that John J. Shields, his predecessor as heir apparent, left Digital last year after reportedly falling out of favour with Olsen.

Like its major competitors, Digital is now seeking new sources of revenue from "value added" services such as systems integration, emergency back-up services and the design of computer-integrated manufacturing systems.

Digital is also refocusing its distribution strategy. "Our cost structure has not kept pace with rapid changes in the industry," Smith acknowledges. "We took our eye off the ball in certain areas."

While recognising the shift in distribution trends, Digital seems slow to adapt to the increasingly important relationship between computer hardware manufacturers and independent software developers.

Digital also needs to cut costs, Wall Street analysts charge. The company's 125,000 workforce is bloated by middle managers, critics say.

"In the past, we improved our productivity through more efficient manufacturing. We fine-tuned our operations by shifting people into new jobs, re-training and moving people around," says Smith. Over the past year, Digital has cut about 3,000 jobs through a voluntary retirement programme. Now Digital needs to take more drastic actions. "We must make the necessary adjustments. We need to downsize," says Smith.

Yet Olsen seems reluctant to address the issue of a large scale workforce reduction. "Our business changes and jobs change and we always have people who no longer have a job – that is the nature of a changing business," he says. "Most of these people are redeployed in other parts of the company," he explains, dismissing "speculative reports" that Digital is considering major cutbacks.

Privately, Digital executives express concern about the mixed messages coming from its senior executives. Yet within the Digital Equipment Corporation family, Olsen is so much admired and respected that executives frequently dismiss reports of his outspoken public statements as misrepresentations. The truth is that Olsen often speaks obliquely and leaves much to the interpretation of his audience.

It will be several years, he maintains, before UNIX becomes a "world class commercial operating system" with all of the features of VMS. "If you want a world class computing system you have to go to Digital or IBM," says Olsen.

"We market UNIX and VMS with equal enthusiasm," says Olsen. "But when the customer can choose, he often chooses VMS."

As he points out the weaknesses of UNIX, Olsen sounds as if he is holding on to cherished values of the past. His predecessors at the mill no doubt similarly extolled the virtues of wool over nylon.

Today, few would not agree that the qualities of wool are in many ways superior to man-made fibres. How long will it be, one wonders, before the shortcomings of UNIX are more widely acknowledged?

In the fast-paced computer industry, demand could swing quickly enough to prove Olsen right. The evidence to date suggests, however, that Digital must move quickly to comply with market trends toward open systems based on UNIX and retire some of the home-spun technologies and business strategies developed at the mill.

Pensions: not all black and white

By Simon Holberton and Eric Short

David Black and Michael White joined Sheister, Sheister and Sheister, a small but respectable City merchant bank, in 1989. Both men were hired to fill top executive directorships with SS&S – Black moved in to take control of corporate finance and White, corporate development – and their jobs each commanded an annual salary of £100,000.

Both were aged 45, but Black joined at the beginning of May and White exactly one month later on June 2 1989. White did not realise it at the time, but the value of his pension on retirement, in today's pounds, is worth £26,667 a year less than the one Black will enjoy.

A change to pensions law in Nigel Lawson's last Budget (1989) has led to this anomalous situation. Lawson decided that an approved pension scheme could get tax relief only if the pension amounted to no more than two-thirds of £60,000, indexed by the annual rise in the retail prices index.

In the above case, this means Black's pension, at two-thirds of his full salary on a tax efficient basis, would be £66,667; while White would receive a pension of two-thirds of £60,000, that is £40,000.

Lawson's change came into force on June 1 last year and its implications for the world of recruitment are just beginning to be felt. Companies are being forced to think of ways to make good the kind of deficit that the hapless White is facing. Executives contemplating a job change are having to consider the consequences for their pension of such a move, especially if they are being wooed away from a company for which they have worked for years.

A survey of 256 organisations conducted by Hay Management Consultants in January found that 89 per cent had no current policy to deal with the issue. Of the remainder, 8 per cent offered to top up the pension through an unfunded scheme, while others paid higher salaries or set up separate funded schemes.

If companies fund the top-up pension in advance, then not only are the contributions invested in a taxed rather than a tax-exempt fund, but the employee is taxed on the contributions as a benefit-in-kind. Both companies and employees lose out.

However, many companies appear to be putting in place unfunded top-up schemes to cater for the expectations of people who want a pension equal to two thirds of salary at retirement.

Buck Paterson Consultants point out that none of the companies in a survey it conducted recently "has pledged any assets to guarantee payment of the pension at retirement." David Bennett Rees, consulting actuary at Buck Paterson, says: "If he [the employee] comes in to the company at 45 and he lives to 80 then the company has got to be around for 35 years for him to get his pension," he notes. "The top-up is paid out of current cash flows; if the company goes bankrupt you'll just stand in line with the other creditors."

A higher salary may be a better way round the problem. For White, this would mean about an extra £20,000 – the difference in the cost to SS&S of his and Black's pension in the first year. White could then put the extra income in a personal pension, a TESSA, bricks and mortar, or some other form of tax-efficient savings. The higher income would be taxed at 40 per cent, but so would the income from a pension paying £60,000 a year.

If an employee chooses to take cash now, theoretically he could lose if the top rate of tax should fall in the future. For the company, paying a higher salary would relieve it of a future liability. "We have found that people do appreciate cash versus a pension that may not be fulfilled. The cash element is the best alternative solution," says Bennett Rees.

Correction

Citizen

The sales figures for Citizen included on this page on July 18 were given in million yen. These should have been billion yen.

Tatas

On this page on July 23, the photographs of Darbari Seth and Noshi Soonawala were transposed.

TECHNOLOGY

GEC and Plessey chip in together

By Michael Skapinker

The General Electric Company of the UK this week launched the only British-owned entity still making microchips on any significant scale.

Staff at Plessey Semiconductors and at Marconi Electronic Devices, part of GEC, were told yesterday that the two organisations will merge to become GEC Plessey Semiconductors.

The formation of the new company arises out of the takeover of Plessey last year by GEC and Siemens of West Germany. The new semiconductor company, which is wholly owned by GEC, will make chips for cordless telephones, satellite television receivers, personal computers, the telecommunications, space and defence industries.

If the proposed sale of ICL, the UK computer maker, to Fujitsu of Japan takes place, GEC Plessey Semiconductors will be one of only a handful of high technology companies still under British ownership. Doug Dunn, the managing director of the merged company, was keen to portray its formation as a new dawn for the UK chip industry.

He was prepared, however, to see the irony of his own position. As the head of Plessey Semiconductors he had fiercely resisted the GEC/Siemens bid, arguing that it would be disastrous for the UK semiconductor industry.

Some in the semiconductor industry had speculated that Dunn would leave Plessey after the takeover. Instead, he has been given the leading role in the new company. Bert Sadler, the managing director of Marconi Electronic Devices, is to take early retirement.

However, some of Dunn's colleagues at the old Plessey Semiconductors were far from happy when they heard they were to be wholly-owned by GEC. The UK company, they felt, had shown insufficient enthusiasm for chip manufacturing in the past.

GEC and Siemens originally proposed that Plessey's semiconductor interests would be jointly owned, with Siemens having management responsibility. But the UK Ministry of Defence had other ideas. Although only 20 per cent of Plessey's semiconductor turnover came from defence sales, the MoD was unhappy about Siemens' dominant role. Siemens decided to withdraw completely, allowing GEC to take full control.

Although GEC's own chip activities are small, Lord Weinstock, the managing director, insists that he is now fully committed to the semiconductor business. Plessey Semiconductors "embodies the best skills available in this country. I cannot see any circumstances in which we would not maintain a semiconductor activity."

The new company will have a workforce of 3,900 and an annual turnover of £200m. In sales terms it is small – a third of the size of the three leading European companies, Siemens, Philips of the Netherlands and SGS-Thomson, the Italian-French manufacturer.

Unusually for the European industry, however, GEC Plessey will be profitable. Plessey Semiconductors' 1988 profits were 10.4 per cent of turnover. The margin fell slightly in 1989, but Dunn says the new company should be nearly as profitable as Plessey was two years ago. By contrast, Philips' chip activities make huge losses and SGS-Thomson operates at just above break-even.

Dunn was anxious to deny rumours that Plessey's semiconductor research activities would be run down under GEC. It was true, he said, that silicon research carried out at Plessey's Caswell laboratory in Northamptonshire would be transferred to the new semiconductor company. But he said the new company would spend a sum equivalent to 15 per cent of revenues on research and development.

When far larger companies like SGS-Thomson believe they need to find partners to help fund future developments, can GEC Plessey continue alone? Maurice Dixson, supervisory managing director of the GEC components group, insists that the new chip company is not looking for partners.

But Bipin Parmar of the consultancy Dataquest thinks that GEC Plessey may find it is too small to continue on its own. "But that's not just Plessey. That's everyone in Europe."

Della Bradshaw looks at the competitive advantage which can be gained by creating a central database

Reserved seat on a speedy flight

Seven-feet high metal gates, reminiscent of the entrance to a football pitch, guard the smoked glass building which houses Europe's largest non-governmental computer centre.

Inside the high-tech building, pairs of rotating glass tubes, smacking of a science fiction film, allow entry into the computer rooms only to those who have the correctly coded plastic card and know the necessary password.

But for Galileo, the company set up by a clutch of the world's largest airline companies at the cost of £200m, there are other things to worry about than local football fans or even distant aliens.

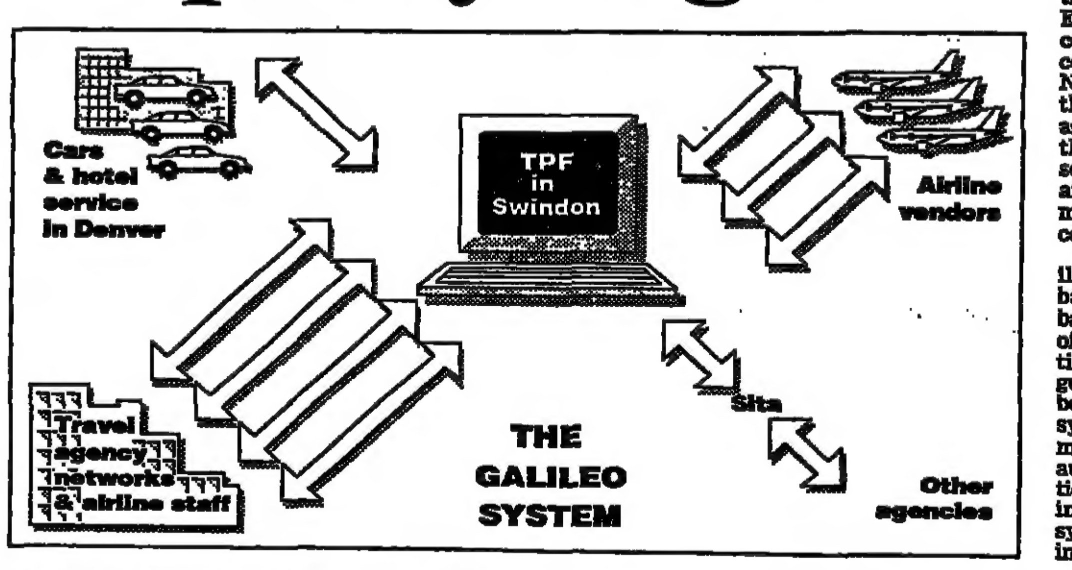
Inside the building on the outskirts of Swindon are the nine computer systems which form the basis of one of Europe's first airline computerised reservation systems (CRSs), which give travel agents access on one screen to information about the flights of the participating airlines.

This bank of computer systems can hold more than 100bn bytes of data – enough to store about 20bn words of text. The success or failure of Galileo when it begins commercial service in September will rest on this system. In particular, the speed at which travel agents across Europe are able to access the information will be decisive. "The response time we have quoted is 90 per cent in less than three or four seconds," says Dave Puttnam, general manager for architecture and planning.

Waiting to move in if Galileo's service is not up to scratch is Amadeus, the CRS being built by Air France, Iberia and Lufthansa, among others, and Sabre, the CRS run by American Airlines.

To meet the challenge Galileo has opted to concentrate all its computer applications in the Swindon centre, rather than distributing the information across a number of sites. This choice, says Roger Garner, general manager of communications systems for Galileo, was dictated by Galileo's business needs. At the core of the operations is the ability for each travel agent to call up travel information and book airline tickets in real time.

Distributing the database across a number of sites would inevitably mean split second differences between when information was displayed on one computer and on another. That could mean getting a seat or losing it, points out Garner. "If you have the inventory of a flight on six different machines then by definition they won't be synchronised. That means you have to devise a way of splitting the inventory for each flight."



That could involve allocating a pre-determined number of seats to each agency for them to sell, the sort of outdated form of allocation which CRSs are meant to do away with.

The concentration of so much computing power on one site inevitably results in a concentration of security hazards. But there are several good reasons for installing such big centres, says Miranda Park, of management consultants Arthur D Little.

Changes in market conditions can be responded to more quickly, because the data centres do not have to gain consensus from managers in several countries. In addition it is easier to ensure the integrity of the data because there is only one copy, on one site.

Park also reports that highly skilled staff often prefer to work for a large centre rather than a regional computer centre because they believe they can gain more varied and up-to-date skills.

For Galileo, timescales also played a part in determining the architecture. It went for the established system in order to ensure it would be working commercially by this autumn.

Puttnam has relied on an IBM technology known as a TPF – transaction processing facility – which started life in the 1960s as a solution for systems such as CRSs which carry out a large number of deals in a short space of time – US CRSs can handle 1,000 transactions every second.

"For this kind of system it's the only choice, unless you want to be really high-risk and start from scratch," says Puttnam. "It's a very specialised system – a bit like a sports car. It's pretty good at doing what it does, and pretty abysmal in other areas."

In addition, Galileo wanted to take advantage of the different applications software developed in the US by one of its shareholders, Covia, a subsidiary of United Airlines. (Other participants in Galileo include British Airways, Alitalia and TAP, of Portugal.)

To ensure the data reaches the travel agents as quickly as possible has proven one of the central tasks for Galileo. "If you have to go from Italy through a series of Italian computers to Swindon and from there into Qantas' airline schedule display in Sydney and then back again, there are a lot of electrons *dashing* around," as Puttnam puts it.

The computers are programmed so that if one of the central units fails, the others will immediately move in and take over the task.

The communications are equally important. The company has installed what it calls "end to end diversity" on its network, so that each of the company's agents overseas – called the national distribution companies (NDC) – are connected to the Galileo database by two sets of lines. If one set of lines goes down, the information is sent along the other.

From the NDC's computer to the local travel agent there is often a single dial-up phone line, and in many cases that promises to be the source of hiccups. As Garner puts it: "It's the last mile that usually causes all the problems."

Garner's communications team is now working on speeding up the process of getting information to the travel agents. They are hoping to move from many of the analogue circuits in use today to digital ones. And they show a distinct preference for land lines as opposed to satellite links, which involve propagation delays. "Satellites mean a third of a second added on each way, and that is important to us in terms of response time," says Garner.

Connecting with countries in western Europe looks set to be the least of Galileo's problems. Eventually travel agencies could dial in to the computer centre from as far afield as New Delhi or Borneo. For those countries Galileo has agreed to use the Sita network, the communications network set up by the world's major airlines. In the last resort information and bookings could be communicated by telex.

Although the core of the Galileo system will always be based on the Swindon databases, Puttnam believes many of the services that are less time-critical, or of a limited geographical application, could be moved out into subsidiary systems. Even from its commercial inception Galileo will automatically feed out reservations for hotels and car bookings from its own computer system to the Covia database in Denver.

Puttnam outlines the three main tiers of the future Galileo system.

- The central processors in Swindon and Denver, which will have a constant flow of real-time data.
- A second layer of services that could be held on the computer systems of the NDCs. Puttnam quotes as an example of this a local ferry service, which may not want to pay Galileo to display its services on the Swindon database because it would not be economical, whereas a local booking service is feasible.
- Personal computer clusters in the local travel agencies.

"PCs in local agencies are only doing about 1 per cent of what they are capable of," says Garner. "There is no doubt that quite a large proportion of the agents' entries could be settled at the local level."

Garner cites the example of agencies with client files for all their major business customers. The way the Galileo system is configured at the moment they are likely to be held on the central computer system. That, he says, is because most of the terminals used by travel agencies are not "clever" enough to store data.

Sharing a wealth of resources

SETTING up a European computer network does not always mean enduring the arduous restructuring of all the operating functions of a large company.

Chase Investment Bank, part of the Chase Manhattan Group, has set up a European network to enable its European outlets to get access to financial data from external sources – such as Reuters or Datastream.

The European section of the Corporate Finance Information Exchange – Euro-CFix – is centred in London. From there more than 200 users across Europe – and up to 550 by the end of the year – can dial in for information.

"The idea behind it is the provide a dynamic link for resource sharing," says Sohail Amini, manager of Euro-CFix.

As well as a corporate electronic mail service, Euro-CFix provides an updated market information service using Lotus One Source's CD-Rom technology. The discs provide historical data on US and UK companies and on acquisitions and mergers.

Chase is planning to use London as the computer hub for Reuters and Datastream services. That will mean that anyone on the original CFix network in the US will be able to dial into London to get information.

Today the service mainly operates in reverse, with European employees wanting Dow Jones information calling Chase's New York office, via the London hub. Doing it this way, says Amini, makes the process less expensive than phoning directly from Europe into the US source.

Chase uses a mixture of computer hardware linked together by a Novel local area network. Built in is a Chatterbox data switch, which allows computer users to dial in and out of the network as if they were talking to a computer in the next room.

According to the APA Group, of Gerrards Cross, which sells Chatterbox in the UK, the system is ideal for small companies wanting their own European network.

DB

ARTS

TELEVISION

Controllers, note the niggles

It is, on the whole, the little things about television which annoy viewers most, not the supposedly big controversies. Every week the BBC analyses the letters and calls it receives from the public, listing the totals under about 20 subject headings. Sex, Violence and Bad Language are always put at the top of the list, yet this is quite illogical since they are always outnumbered by subjects lower down. In the week ending July 1 there were nine communications about sex, eight about violence, 32 about bad language and 1,567 about scheduling.

True, this was during the time when the BBC and ITV were simultaneously showing the same football matches from the World Cup, and no doubt many of the scheduling complaints were about that. Nevertheless, the weekly average of letters and calls about sex, violence and bad language is only a few dozen while the average number about scheduling is several hundred. So much for the belief that the public is perpetually up in arms about that weird Whitehouse confection "sex'n'violence." What really causes fury is to delay a favourite programme while some sporting event is shown to the finish, to have newsreaders who confuse "convince" and "persuade," or to allow "background" music to obliterate the key lines of dialogue in a thriller.

The following draft has been prepared with facts such as these in mind. MEMO TO: Channel Controllers. SUBJECT: Current Schedules

1. After reading this would you please send a memo to your producers pointing out that the best sort of commentary in any documentary is the sort that the audience never notices. So the last people in the world to choose for the job are actors or actresses, since they are deeply hostile to the idea of not being noticed. They are trained to project their voices and use them to convey character. When you make actors invisible they compensate by reading commentary in a manner that the viewer cannot help but notice.

Sian Phillips is a splendid actress and (judging from one lunch with her) a delightful person. But her reading of the commentary on Gwyneth Hughes' *Red Empire* is so actressy that you end up listening in wonderment to the voice and missing most of the programme content. This is a pity since the archive footage in this history of the Soviet Union looks fascinating . . . when you remember to watch it.

2. The one actor you can safely go on using in this role is Andrew Sachs. He seems to be the exception who proves the rule. Known universally as Manuel in *Fawlty Towers*, Sachs has already shown himself to be an excellent presenter in a BBC series about Berlin. Now he is proving with *The Encircled Sea* on Channel 4 that he is also capable of reading commentary in that clear, neutral and unobtrusive manner acquired by voice-over specialists such as Paul Vaughan and journalists such as Robert Kee. For documentaries their voices are vastly preferable to the sing-song stiltedness of actors and actresses.

Incidentally, this series about the Mediterranean is looking rather good: early fears that it might be another *Greek Fire* with Pelion piled upon Ossa seem groundless. It takes a relaxed look at the culture, people and industries of the area, in a manner which you people may think a bit old fashioned. Out here on the receiving end we regard that as a virtue now, after seeing the new Janet Street-Porter school of TV journalism where you throw everything at the screen simultaneously – pictures, commentary, ribbon caption, music, strobe lights, sound effects – and hope for the best.

3. Would all of you, but especially Mr Alan Yentob at BBC2, do something about your time keeping? It is infuriating enough when programmes start late (*Iphigenia In Aulis*, billed to begin at 8.45 on Saturday, actually started well after 8.51, and that is not unusual). But worse still is to begin early. At least when you start late those of us who sit down at the right time do see the programme, but when you start early we miss the beginning which can be infuriating. It also means that the VCR always has to be set with 10 minutes leeway at each end. Networks *can* be run on time: John Tusa does it with the World Service, so would you kindly wake your ideas up?

4. Please can we have more dramas like last week's "Screenplay" on BBC2, *Antonia and Jane*, by Marcy Kahan? It had a normal number of things to say about modern life but it managed to say them with bags of humour. Imelda Staunton, who was so funny as Izzy in *Up The Garden Path*, here played Jane, a Jewish girl forever overshadowed by her friend Antonia (Saskia Reeves). At three Antonia knocked Jane unconscious with a milk bottle; at five she buried Jane alive; at seven she formed a secret society and excluded Jane, and adult life continued in like manner. Beeban Kidron's direction and editing (fast, with clever use of music) made this a huge treat.

5. Usually you should not need to tell your presenters or news readers about pronunciation since most "rules" are sheer snobbery: pronouncing "bath" with a short "a" does not matter since the meaning remains unmistakable. With names, however, and words where the pronunciation reflects the meaning there are, surely, grounds for maintaining there is a right and a wrong way.

Throughout Channel 4's coverage of the *Tour de France* the chief presenter Phil Liggett suggested that he understood the metric principle involved in saying "kilo-metre" even though his colleagues blathered on about "kill-ometres" with the emphasis on the "om." However, if you are going to spend three weeks commenting on a race in which one of the leading riders is Chiapucci, who, like 50 million other Italians, pronounces his name "Key-a-poochie," is it not rather an insult to go on British television every night referring to him as "Cheer-put-she"? (Even if that is slightly better than the "Cappucino" which was the closest another commentator managed). How would Liggett like to be announced every night on television as "Lie-jet"?


Imelda Staunton in "Antonia and Jane"

6. All of you tolerate producers who, when they make programmes about paintings, pitch the importance of their own interpretation above that of the artist or the viewer. You should *not* tolerate them. No artist ever made a picture except with the intention that the onlooker should see it entire. It is impertinent and arrogant, not to say long-winded and tiresome, for producers to begin on a detail and then slowly reveal the picture bit by bit in an order of their choosing, so that the impact and even the meaning is changed from what the artist intended. Anna Benson Gyles, who directed last Friday's *Omnibus* drama about Van Gogh, explained in *Radio Times* that the programme had been made in an impressionistic way, "like showing pieces of a canvas and eventually revealing the whole painting." Precisely.

And just as the technique should be opposed with paintings, so it should be opposed with biography. Like so many other biographical programmes these days, this one (written by Patrick Barlow, one half of the National Theatre of Brent) took the narrative of Van Gogh's life, cut it up into snippets and, like a Burroughs novel, re-arranged them in the wrong order. Could you explain to your heads of drama and arts that this sort of deliberate complication has never added profundity to a writer's work. It is, of course, possible to indicate causal connections within a life by juxtaposing non-chronological events, but the law of diminishing returns sets in very fast. It was a particular shame in this instance because there were great strengths in the programme, notably Linus Roache's performance as the artist, some of the landscape photography, and several of Barlow's scenes between Van Gogh and his acquaintances.

Forgive me addressing you in this public fashion, but I know from the letters and calls I get that I am not, by a long way, alone in these concerns. I have never received a letter about Anglo-Saxon words on television (although the famous Tynan "f" word has been used over and over again in the last few days) yet I am always hearing about the lack of humour in drama, the failure to start programmes on time, mispronunciation, and so on. Attention to such details might pay higher dividends than the expenditure of hundreds of thousands on another international co-production.

Christopher Dunkley


A complex canvas: Linus Roache as Van Gogh

The Ice Break

ALBERT HALL & RADIO 3

The Proms concert performance of Tippett's fourth opera was one of the earliest, and most rewarding, of the 1990 season's "special occasions." *The Ice Break* was first performed at Covent Garden in 1977, and last in 1979; since then it has been given nowhere in the UK, and infrequently in others. The reason may have been that after the work's premiere the reception was puzzlingly mixed, with admirers and detractors equally strong in their convictions – at the time even died-in-the-wool Tippettians were surprised to find it dramatically sketchy and musically unforthcoming.

Plainly, therefore, the time was ripe for a revaluation – which last night the London Sinfonietta and Chorus and a first-rate cast under David Atherton's superlatively authoritative baton accomplished in masterly style and with absolute belief in the work's merits.

For one of those died-in-the-wool Tippettians mentioned above, it was a staggering and rather mortifying experience: a much greater quantity of wonderfully expressive dramatic music than expected, a libretto of diction much less embarrassingly cliché-ridden and structure much less oppressively schematic than recalled. Indeed, that "right-on" modernity of location and subject matter, much-derided at the time, has worn very well.

Casting around for excuses at one's original failure to appreciate *The Ice Break* fully, one may offer in mitigation the gross over-elaborateness of the Covent Garden premiere production, which badly diffused concentration and impact. Then, with knowledge of all the Tippett compositions that have followed – particularly *The Mask of Time* and the newest opera, *New Year*, which both expand on themes first adumbrated herein – the ear finds that its workings and purpose have been made familiar in subliminal, unpredictable ways.

But finally, it must be recognised that Tippett's genius will sometimes stay for some while ahead of even his most willing listener-spectators: however approachable and illuminating his works may be, they are never easy or "pat," and often sublimely disconcerting. Even now this will probably come to be reckoned few people's *favourite* Tippett – its concision, *tinta* (dark, metallic, violent in contrast), and statement of scenes and images (jerky, thrustful, often startlingly abrupt) allow the spectator little immediate exhilaration.

Tippett, who began his operatic career as postwar Britain's great lyric poet of the life-giving rural summer, becomes here the (apparently) detached recorder of the life-denying urban winter. Act 1 is all scene-setting, or so it seems; it is not until the marvellously tender, rueful blues-soliloquy for the nurse Hannah lying at the heart of Act 2 that the ear begins to "add up" all the styles and sounds proposed in such clipped tones of voice. It is a brave, troubling opera: spring and nature burst in midway, with their healing powers, yet the promise of reconciliation remains to the end a fragile one.

The final reason for the power of last night's performance to win over doubters was the manifest superiority of almost all its singer-actors over those of the original cast. "Almost," because the amazing, unquenchable Heather Harper returned here (in a final Prom appearance) to her 1977 role of Nadia, with the same lovely dignity and vocal radiance. Cynthia Clarey (Hannah), Thomas Randle (Olympion), and Sanford Sylvan (Yury) were not only helpfully American in accent but musically strong and subtle of voice; as Lev David Wilson-Johnson gave one of his finest performances. The amplification of the voices I found troubling at the start, more acceptable later; the total impact made such criticisms of small account.

Max Loppert

Morte d'Arthur

LYRIC, HAMMERSMITH

It's already plain from Part One of this two-part *Morte d'Arthur* that it is a world away from *Camelot*, or from *The Sword in the Stone*, or from Boorman's *Excalibur* or even from Tennyson. David Freeman's staging is a serious attempt to re-create Thomas Malory's world. Part One proved long, taxing, dense, perplexing, stirring and poetic.

Like other Freeman stagings, this is a deliberate mix of pre-Renaissance, modern and post-modern theatre. Scenery is sparse and multi-functional, actors take many roles (often with no costume change), and music, by Nigel Osborne, is played on unconventional instruments. In the interval, actors and audience move to the nave of St Paul's Church – where the action takes place on several platforms, with most of us milling about beneath, shifted by moving platforms, jostled by passing actors, making way for mid-nave jousts.

The staging is no more concerned with narrative exactitude than Malory. Details rush by, often simultaneously, and many fail to register. Yet how many points, images, connections are made in passing.

Absorbing just to experience, this production also prods you to think about Malory's tales of chivalry. All those quests, beset with *belles dames, sans ou avec merci*, and with anonymous enemy knights. Sex and violence abound.

Several tales are told at once: which sometimes means that the audience loses the thread of even one story, the more so when we aren't sure of which role an actor is playing. Often, however, you sense both the richness of Malory's many-stranded epic method and the poignance of its parallels or ironies. So, as you follow the intercut tales of Tristram, Launcelot and Gareth, you can't help but feel the strangenesses in their pursuit of chivalry. Men may be killed or befriended; women, for all their allure, can be neither.

Not the least of the production's achievements is that it makes successful use of Malory's language. The rather incantatory style is appealing. The actors, however, tend to use more volume than elocution. All show exemplary commitment, and doubtless some will refine their characterisations further.

I was always riveted in listening to the quiet assurance of Rogers' Guinever, in watching Robyn Moore, a gorgeously severe Morgan le Fay, and in everything from Mark Lewis Jones, a Tristram of ardent integrity, and Joe Dixon, a Gareth of touching innocence and rough-hewn valour. Bourgaux, however, is a pudgy, unsubtle Launcelot, and Robert Swann's Arthur, though feeling and authoritative, shows neither the youthfulness for the first scenes or the wise dignity of the later ones. Chris Tranchell has nothing of Merlin's wisdom or variety. There are other faults in this Part One of *Morte d'Arthur* but it has filled my head with language, episodes, ideas, images. I love the Hieronymus Bosch-like Dark Age civil war at the beginning, the Chapel Perilous bedecked with human gargoyles, and more. Spirits high, I prepare for Part Two.

Alastair Macaulay

Romeo and Juliet

COVENT GARDEN

The vexed and often uneasy relationship between choreography and its score came once again into question last night at the Royal Opera House when *Romeo and Juliet* returned to the repertory. Kenneth MacMillan's dances are concerned with passions at their most violent and vivid: a young and impossible love struggles amid the brawlings of city factions and family tensions. In Prokofiev's music we ideally hear all this through the surge of melody, the pungent and often abrasive sonorities, the portrayal of character in theme and orchestration.

Under Richard Bernas' baton the orchestral playing sounded decent, but rarely did it feed the emotional life of the dance, and at times did not even seem to share it.

There resulted a performance whose decency was almost as fatal to the great matter of the ballet as downright inadequacy. Where drama should flare in the gusts of the music, we saw perfectly nice and wholly untouching acting. Where the texture of the score should keep us and the performers alert, there was a flat and impersonally correct sound. Where pulse and pace should bear movement along, a pedestrian gait took the spring from the choreography's step.

We were at the Opera House for the debut of the American dancer Robert Hill as Romeo. A tall young man and a good partner – a recipe for success in these times – Hill has a clear, efficient technique which finds no problems with the choreography. His acting is of the direct and unambiguous kind, the character honestly shown but – like the musical reading – not torn by great ardours.

For his Juliet, Viviana Durante, he provided soundest support, yet Miss Durante is a Juliet of livelier mettle, and throughout the evening she spoke to us of youthful impetuosity and a heart's tragedy. There are flashes of such bright emotion with this Juliet, and such clarities of line and step, that she could on this occasion have been performing in another production.

Clement Crisp

Une Heure Avec . . .

AIX-EN-PROVENCE

If you don't enjoy the operas at the Aix-en-Provence Festival – and this year I didn't enjoy the Mozart (much) or the Rameau (at all) – there is still plenty of consolation in the form of the well-devised, richly attractive concert programmes. The development of these thematically related events (choral and chamber music, song recitals, this year a French-music cycle involving all genres) is a festival phenomenon of recent seasons: the cloister and (in some cases) the baptistery of St Sauveur Cathedral serve for the more intimate occasions, the nave and (on non-opera nights) the Archbishop's Palace Theatre for the grander ones.

Artists involved in one event do happy duty in others; it is a small contributory part of the atmosphere that off-duty singers all seem to find time to be in the audience at each other's shows. And the best, most genuinely festive side of the festival is that even in a short Aix sojourn one makes discoveries, about music and performers out of one's normal run, which the *genius loci* seems to have directly brought about.

The little "Une heure avec . . ." recitals – an hour's-length of song at midday and in the early evening – run throughout the festival's four-week length. I caught three, and was the happier man for it. The most famous of my singers was François Le Roux, in residence at Aix for *Les Indes galantes*; for him it was standing-room only. Since in this country we know him mainly as a singer of *mélodies*, it was good to note his intelligence, individual timbre, strong musical personality, and superlative use of German in groups of Schoenberg and Strauss songs and Sibelius German settings; less happily, but understandably, one caught a touch of tiredness in some under-the-note Fauré.

The others were two young French sopranos, both of them stylish, well-schooled, interesting artists of a kind the wider world tends to assume no longer exists. (Remember the South Bank's "Revolution Revisited" series, and its failure to employ a single francophone singer therein?) Catherine Dubosc, with a voice very light (not yet "filled-out") but deliciously fresh in timbre and a manner both limpid and touching, gave poised accounts of Schumann's *Frauenliebe* and three Haydn English canzonets; in Debussy's *Ariettes oubliées* her art of suggestive holding-back was ideally idiomatic.

The revelation, though, was Isabelle Vernet, the prize pupil of Régine Crespin at the Paris Conservatoire. She placed her programme recognisably in "Crespin territory" – including succulent, steady, precisely pronounced performances of Fauré's "Clair de lune" and "Le Secret" and Ravel's "Flute enchantée" and "L'Indifferent," plus some elegant, witty Satie. And she disclosed therein an ample, warm-tinted lyric soprano, most ravishing when softly sustained, that could fall like manna on parched areas of the French operatic repertory. The top needs work: at full tilt a touch of shrillness was unwelcome.

A final note on the Rossini *Petite Messe solennelle* – that grave, curiously disturbing, tenderly beautiful late work, at once little and large, specially treasured by all Rossinians and given in the cathedral with noble devotion. The component parts were thoroughly international: Italian conductor (Romano Gandolfi), American pianists (Jeff Cohen and Noel Lee), Dutch harmonium player (Chantal de Zeeuw), English choir (London Oriana), and Swiss, American, Argentinian, Greek solo quartet (Charlotte Margiono, Frederica von Stade, Raul Gimenez, Dimitri Kavrakos).

The mixture was rendered seamless, the style beautifully fluent. Miss von Stade may not possess the mighty contralto organ implied by the "Agnus dei" but her serene artistry, at its most aristocratically unforced, made one believe she did.

Max Loppert

ARTS GUIDE

July 20-26

THEATRE, OPERA AND MUSIC

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Louise Gold trying to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (071 734 8951, 071 836 2428).

Jeffrey Bernard is Unwell (Apollo). Tom Conti is the alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing, Ned Sherrin directs (071 437 2663).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (071 839 5972).

Shadowlands (Queen's). Four-tissue weepie about the love affair between C.S. Lewis and the American poet, Joy Davidman, which pushes Nigel Hawthorne and Jane Lapotaire into the awards stakes. William Nicholson's play is irresistibly emotional. Elijah Moshinsky's direction is superb (071 734 1166/071 439 3849).

The Wild Duck (Phoenix). Peter Hall's revival of Ibsen's tragicomedy champions the great Norwegian's humorous potential. Alex Jennings, David Threlfall and Nichola McAuliffe head the cast (071 240 9661).

Absurd Person Singular (Whitehall). Robust revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years. Moira Redmond, Richard Kane and Lavinia Bertram on fine form in a production which confirms Ayckbourn's early bleakness (071 867 1119).

Henry IV (Wyndham's). Pirandello's cat's cradle of fantasy and reality, identity and time in a production by Val May the sobriety of which belies its pre-production high jinks. Sarah Miles left the cast, but Richard Harris stayed to give a star performance as the nobleman who thinks he is an 11th century king (071 867 1116).

Paris

Vocal Ensemble Sagittarius and Consort de Violes Orlando Gibbons, conducted by Michel Laplenie, perform Demantius, Schein, Schütz, Saint-Severin church (today).

Brussels

Marc Grauwels (flute) Daniel Blumenthal (piano), Lieve Schuermans (flute) playing Schubert, Ravel, Debussy, Mozart, Bizet, Verdi (today). Chapelle des Brigittines (513 89 40).

Munich

Opera festival. The last week of performances includes a Rene Kollo Lieder recital, accompanied by pianist Irwin Gage in Schubert's *Die Winterreise*; *Le Nozze di Figaro* with Pamela Coburn, Barbara Bonney, Cornelia Wulkopf, Ann Murray and Wolfgang Brendel; *Giselle* with wonderful Peter Wright choreography; *Die Zauberflöte* with Hellen Kwon, Pamela Coburn, Kurt Moll, Hermann Prey; *Nabucco* stars Julia Varady, Alain Fondery and Yevgeny Nesterenko. The old traditional Otto Schenk *Der Rosenkavalier* with Judith Beckmann, Kurt Moll, Marilyn Schmiege, Barbara Kilduff and Georg Paskuda, is conducted by Heinrich Hollreiser.

Barcelona

Grec 90 - Barcelona summer festival. Rossiniana - a selection from operas by Rossini including *Il Barbiere di Siviglia, L'Italiana in Algeria, Il Turco in Italia, La Cenerentola*. Singers led by Enzo Sara and accompanied by the Orchestra and Choir of the Gran Teatre del Liceu conducted by David Robertson (Thurs, Fri). Teatre Grec. (318 25 25).

New York

Grapes of Wrath (Cort). The Steppenwolf company's interpretation of the Steinbeck epic novel has taken a long time to reach New York from Chicago; the wait was worth it, with the 1930s brought alive in its squalor as well as its test of human strength. Gary Sinise as Tom Joad stands out in Frank Galati's adaptation.

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including *On the Town, West Side Story* and *Gypsy*. The lustre of the credits is dimmed by the brevity of each piece, with a crew of Broadway aspirants who lack the talents that inspired the heyday of the musical.

Cats (Winter Garden). Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling. (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Phantom of the Opera (Majestic). Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

New York Grand Opera. Free concert performance of *Turandot* in Central Park at 72nd St (Thur). (360 2777).

Mostly Mozart Festival Orchestra conducted by Mark Elder with Barry Douglas (piano) and Richard Stoltzman (clarinet). Janacek, Mozart, Haydn (today). Avery Fisher Hall, Lincoln Center (874 6770).

Tokyo String Quartet with Richard Emanuel Ax (piano) and Alexander String Quartet. Mozart, Schumann, Mendelssohn (Thur). Avery Fisher Hall, Lincoln Center (874 6770).

Chicago

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

The Gospel at Colonus (Goodman). The season ends with a visit from this spirited version of Sophocles, set in an Afro-American Pentacostal church. Ends Aug 12 (443 3800).

Tokyo

Kabuki (Kabuki-za). The matinee at 11am is a mixed programme that includes a spectacular lion dance, while the 4.30pm performance consists of the even more spectacular full-length play, *Tenjuku Tokube*, featuring magic and mayhem with kabuki superstar Ennosuke, master of the quick-change routine. Excellent earphone guide in English and English-language programme. (541 3131).

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FINANCIAL TIMES

SALEROOM

Markets in fine form

Despite rumours to the contrary, the art market seems in fine fettle. Christie's yesterday announced its figures for the 1989-90 season and they reveal a rise in international sales of 40 per cent, to £1.458bn, which in the more relevant dollar terms works out at $2.376bn.

It may not quite equal the 63 per cent jump in the 1988-89 season but is still a remarkable achievement. A total of 247 works of art sold for over $1m, compared with 147 last season, and 41 topped $5m. Christie's also established a record for any work of art at auction when it sold Van Gogh's portrait of his physician, Dr Gachet, for $82.5m(£49.1m.) in New York in May.

The dominance of New York over London is displayed in the figures. New York sales rose 40 per cent, to $1.247bn (£767m), accounting for 148 of the works which beat the million mark. London also managed a successful season, with turnover rising 39 per cent, to £470m.

Although the market for Impressionist and Modern pictures, which accounts for around 50 per cent of turnover, was looking sickly by the end of the season, good results earlier in the year gave an aura of success. Christie's was particularly happy to sell the Badminton Cabinet for £8.58m, a record for furniture, and to create a London record for a jewels auction of £13m.

Sales at South Kensington rose by 14 per cent to £56.5m, showing that the ordinary antiques trade is not so buoyant.

Meanwhile, a medal sale at Christie's disposed of one of only eight Victoria Crosses which have been forfeited. It was awarded to Lieutenant Edward St John Daniel of the Royal Navy, who won the VC for bravery in the Crimea but forfeited it two years later for "taking indecent liberties" with junior officers. It sold yesterday for £19,800.

Antony Thorncroft

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Wednesday July 25 1990

One law for Germany

FOR A nation famed for efficiency, in their progress towards unification the Germans are showing a new talent for muddling through. First, the West German authorities disagreed over the timing and details of monetary union; then the federal government and the Bundesbank agreed on the timing and reached a compromise on the exchange rate conversion. Next Chancellor Kohl, and nearly all the political experts, said that it would be impossible to hold pan-German elections by December 2, the date already set for the general election in the federal republic. Now it appears that the pan-German election will be on, but nobody seems sure which electoral rules will be applied.

There are some important questions here which go beyond technical details. For a start, it is desirable that the momentum towards German unification should be maintained by the electoral process. It is equally desirable that elections in what used to be the two Germanys should take place on the same day. The logic of unification should also dictate that the elections should take place under the same electoral system.

None of that will be easy to arrange in the time available. Even the business of producing a reliable electoral register in East Germany, after the considerable exodus of the population, could pose problems. Other difficulties have already arisen from trying to bring two different political systems into one. These are not strictly ideological. They stem from the very nature of federal politics and a multiplicity of parties.

Occasional grumbles

West Germany is a federation with a complex electoral system. The electorate has two votes: one for direct election to the Bundestag, the other for election on a party list system. Any party which wins a minimum of 5 per cent of the second votes gains representation in the Bundestag; hence the tendency of the small Free Democrat Party, which has not won a direct seat for years, to be an almost permanent coalition partner with either the Christian or Social Democrats. The system has served the federal republic well over the years, despite occasional grumbles. And since the old East Germany is applying to join the republic under Article 23 of the federal constitution, it seems reasonable that it should accept the same electoral law, including the 5 per cent clause. Curiously enough, however, the objections seem to come from Chancellor Kohl and some of his Christian Democrat allies. They would like a hurdle lower than 5 per cent for the elections in East Germany in order to help the smaller parties at the expense of the East German Social Democrats.

Voting rules

That smacks of gerrymandering. Chancellor Kohl has made mistakes before on the road to German union – for example, in his statements on the Polish border – and then corrected himself. He should do the same on electoral law. For the point of a united democratic Germany is that there should be the same voting rules in a federal election in every part of the country.

Regional elections may be different. Indeed there are already slightly differing rules for regional elections in the federal republic. East Germany has only voted in the last few days to restore regions – or Länder – on the West German model. Inevitably there will be anomalies here. For instance, some of the Länder might be better tied to those in West Germany. There might, in time, be a case for a wide-spread redrawing of internal German boundaries. It is remarkable, to say the least, that East Berlin should now be considered part of Brandenburg while West Berlin becomes a city-state like Hamburg. Eventually the two Berlins should go together.

All that, however, is for the future. What matters now is that there should be pan-German elections with a common set of rules for all. The best model for that is the West German electoral law, if only because it is there and has been seen to work. Chancellor Kohl should end the confusion and get on with it. Any tidying up should come afterwards when there could be a constitutional review.

Cross-subsidies on phone lines

CROSS-SUBSIDIES in any industry are generally bad, particularly when the method in which they operate is far from transparent. There are few industries as entangled with cross-subsidy as telecommunications.

Artificially high prices for some services, notably long-distance and international phone calls, are used to justify low prices for others, particularly line rental charges. This pricing structure restricts the growth of phone traffic. It also distorts competition by allowing new arrivals to concentrate on those parts of the market where prices are high while ignoring the less profitable parts.

British Telecom has focused on these cross-subsidies as the single biggest issue in the Government's forthcoming review of the BT/Mercury Communications duopoly. It claims it is recovering only half its costs for providing phone lines from rental charges, resulting in a cross-subsidy from artificially high call charges of more than £1bn a year. It argues that no more competition should be allowed in the market until this cross-subsidy is sorted out.

The company made a pre-emptive strike last week, increasing line rental charges by 12 per cent, and would have gone further if it had not been prevented by the Office of Telecommunications, its watchdog. Oftel refused BT permission because, as part of a deal negotiated only two years ago, the company had agreed not to put up its rental charges by more than 2 per cent above the rate of inflation each year. The same deal requires BT to reduce the price of a basket of its main services by at least 4.5 per cent after inflation, meaning that sharp increases in rental charges have to be balanced by smaller increases in other prices.

Duopoly review

Nevertheless, the watchdog has agreed to investigate BT's argument as part of the duopoly review. Added to an investigation into international charges which the watchdog is already conducting, this represents an excellent opportunity to resolve this issue.

A thorough investigation is necessary for three reasons.

First, BT's £1bn-plus estimate for the cross-subsidy may be substantially inflated. A precedent comes from Australia where the phone company originally claimed it was carrying an A$800m social burden until an independent study for the Government cut the figure to A$200m. If BT rebalanced its prices too far, it could end up subsidising call charges from excessively high rental prices – something which would undercut Mercury's viability and put back the cause of competition.

Second, BT may be losing money on providing phone lines not because it is charging too little but because it is too inefficient. There is a danger, therefore, that if Oftel allowed it to jack up its rental charges, the pressure to improve efficiency would be reduced.

Lowest bidder

One way of testing this would be to ask British Telecom to identify those services which it would not wish to provide if it was not obliged to. These services could then be put out to tender, with the lowest bidder receiving the contract and the subsidy being financed by a charge on all telephone users. BT opposes this idea on the ground that running local telephones is its business, but it cannot have its cake and eat it.

Third, there is some justification in keeping line rental charges low as a means of encouraging as many people to use the phone as possible. It would, however, be better to target any such subsidy on the really needy, such as old-age pensioners, rather than providing this subsidy to all phone users.

Oftel's investigations may well conclude that further increases in line rental charges are justifiable. But these should be matched by much more substantial cuts in call charges than BT has made to date.

While some changes in the regulation of BT's prices may be needed to achieve this, the best way forward would be to introduce more competition. Cross-subsidies should not be seen as an excuse for excluding competition; competition should be seen as a tool for reducing cross-subsidies.

Guy de Jonquières on the problems facing Europe's efforts to achieve a viable and independent information technology industry

Shadows over the sunrise sector

It used to be called a "sunrise" industry, radiant with glamour and promise. But across Europe, shadows are rapidly lengthening over the information technology (IT) business, which spans microchips, computers, communications, office systems and consumer electronics.

Fujitsu of Japan's proposed acquisition of ICL, the biggest British-owned computer company, is only the latest blow to European dreams of technological independence and leadership on world IT markets. Red ink has engulfed other computer makers, notably Nixdorf of West Germany, which was taken over by Siemens last year, and Norway's Norsk Data, once one of the world's fastest-growing minicomputer companies.

Philips of the Netherlands, Europe's largest electronics company, is in the throes of a financial and management crisis. The group, which has forecast a Fl 2bn loss this year, is widely expected to have to scale back its sprawling operations.

Profits are depressed at computer makers Olivetti of Italy and France's state-controlled Bull, while the French state-owned Thomson group has yet to make its aggressive acquisition strategy in consumer electronics pay off. Europe's three main chipmakers, Philips, SGS-Thomson and Siemens, are all struggling to finance the growth they need to remain competitive. Furthermore, except in software and services, Europe has bred few really successful new IT companies in the past decade.

The gloomy picture is causing deepening anxiety among policymakers as well as managers. In Brussels and in many national capitals, IT is considered the most sensitive of all "strategic" industries, in which Europe must maintain independent capacity if it is to control its economic future.

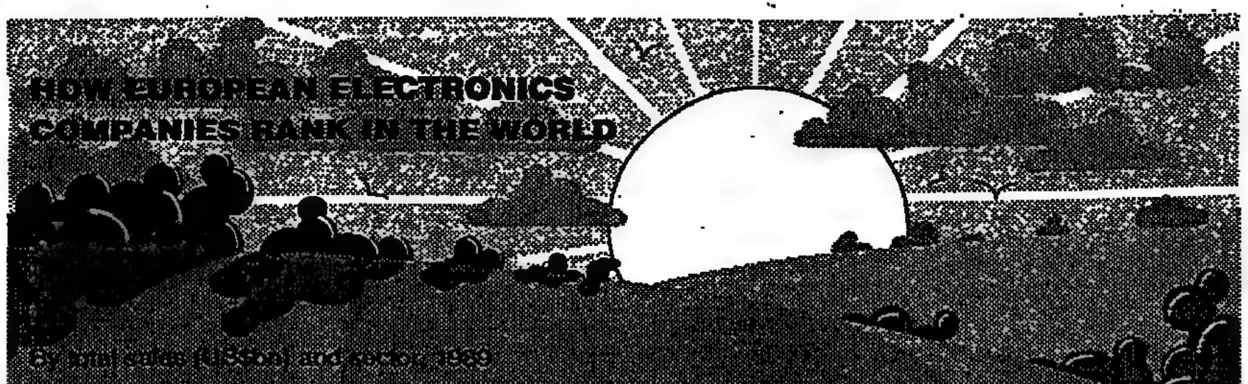
"The real issue in this phase of difficulties is that there is a tendency for the centre of gravity of European IT industries to move outside Europe," says Mr Maria Filippo Pandolfi, the EC Commissioner responsible for research and technology. "We have an urgent task. We have to re-design the map of the IT industries and focus and adapt our strategies."

It is ironic that the outlook for what should be Europe's most dynamic sectors is dimming when the rest of its industrial economy is performing so strongly. All the more so as recent years have seen strenuous and costly efforts to catapult Europe's electronics industries back into the international race.

Since the early 1980s, the EC has sought to strengthen their competitiveness through subsidised industrial collaboration. The Esprit programme, launched in 1983, involves 1,200 companies working on a variety of electronics research projects. Other schemes include Race in telecommunications, the Joint European Submicron Silicon Initiative (Jessi), a $4bn effort to develop highly advanced microchip technologies, and an ambitious programme in High Definition Television. In parallel, Europe's IT industries have been extensively restructured by a wave of mergers and acquisitions, many of them across borders.

These actions were intended to tackle European industries' most glaring handicap by providing the larger economies of scale needed to finance mounting investment needs. In semiconductors, telecommunications switching and consumer electronics, previously fragmented production capacity has been concentrated in three groups, most of which have operations spanning several countries.

Collaboration has helped to break down barriers between "national champion" producers and stimulate flows of technical information. Whether it has encouraged innovation is more debatable. Many companies say doing research jointly is inherently less efficient and harder to manage than doing it alone.



HOW EUROPEAN ELECTRONICS COMPANIES RANK IN THE WORLD

By total sales (US$bn) and sector, 1989

Computers			Telecommunications (1988)			Semiconductors		
Company	Country	Sales ($bn)	Company	Country	Sales ($bn)	Company	Country	Sales ($bn)
IBM	US	62.71	AT&T	US	10.24	NEC	Japan	5.01
DEC	US	12.74	Alcatel	France	9.41	Toshiba	Japan	4.93
Fujitsu	Japan	11.28	Siemens	W.Germany	6.81	Hitachi	Japan	3.97
Unisys	US	10.10	NEC	Japan	5.82	Motorola	US	3.32
NEC	Japan	10.02	Northern Telecom	Canada	5.40	Fujitsu	Japan	2.96
Hitachi	Japan	9.84	Ericsson	Sweden	5.04	Texas Instruments	US	2.79
Hewlett-Packard	US	9.10	Motorola	US	3.62	Mitsubishi	Japan	2.58
Olivetti	Italy	7.26	Philips	Neths.	2.80	Intel	US	2.43
Bull	France	6.47	Fujitsu	Japan	2.49	Matsushita	Japan	1.88
NCR	US	5.96	Bosch	W.Germany	2.16	Philips	Neths.	1.72

Source: Dataquest

However, scarce technology is not Europe's central problem. Its weakness has been – and remains – translating its technological strength into profitable and expanding world market share. According to market research company Dataquest, European-owned chipmakers' share of the European and world markets has fallen since 1986 to 36.5 per cent and 9.5 per cent respectively last year. European makers of large computers have been hard-pressed by IBM and the Japanese, while Olivetti, the only European company to make an impact in personal computers, is now on the defensive.

The only areas where European-owned electronics industries have substantially increased their market share in the past decade have been consumer electronics and telecommunications equipment, where many of the gains were achieved by acquisitions in Europe and the US.

European companies' uphill struggle partly reflects wider industry trends. Many American computer makers have also experienced difficulties in the past few years, while the problems of US semiconductor manufacturers have prompted industry leaders to question whether the Silicon Valley model of buccaneering entrepreneurship still works.

The blame is frequently placed on Japanese and other Asian companies, which are accused of "dumping" products worldwide while operating from closed home markets. However, the real reasons lie deeper. Margins in hardware manufacturing have been eroded as worldwide mass-production capacity has grown and new products have become commodity items at an ever faster rate. At the same time, product development costs and manufacturing investments have spiralled upwards.

Semiconductors are the most brutal example of these trends. The cost of developing and tooling up to make D-ram memories – the most widely-produced type of chips – is currently about $2bn and doubles with each product generation. Yet only the earliest companies into the market can be sure of fully recovering their investments. Once prices fall, followers can stay in the race only if the costs can be covered out of profits on other products or by government subsidies.

'The real issue in this phase of difficulties is that there is a tendency for the centre of gravity of European IT industries to move outside Europe'

In both the US and Europe, semiconductor producers argue that they must stay in the business because chip technology is the lifeblood of every type of electronics product. The problem, however, is that the same relentless economics are spreading to other sectors, notably computing, where profits are increasingly earned from software and services, not from hardware.

In Europe, the one electronics manufacturing sector still in robust financial health is telecommunications. The three leading suppliers of switching equipment, Alcatel of France, L.M. Ericsson of Sweden and Siemens, are all reporting handsome profits. However, the good times may be nearing an end.

The companies are all selling relatively mature technology to heavily protected national markets. But in much of Europe investment in public telecommunications systems is peaking out, while deregulation is expected gradually to open national procurement to wider competition. The companies will also need in a few years to invest heavily to develop a new generation of broadband optical communications networks.

"In all major areas of manufacturing, European electronics companies face challenging conditions and intensified competition," says Mr Laurence Heyworth, European technology analyst with Robert Fleming Securities. "The longer-term outlook is uncertain in the extreme."

In Brussels and much of the European industry, the immediate response has been to seek to close ranks even more tightly. "The tide in the Commission is running as strongly as ever in favour of standing up for the grand European idea, of playing in the big league," says one EC official. Some companies, such as Bull, want to extend European collaboration to production as well as research.

That would be in line with the broad thrust of EC policy in IT in recent years. Heavily producer-driven, it has overwhelmingly favoured European-owned companies – particularly the larger ones, which work closely with the Commission in running collaborative programmes such as Esprit.

A few US companies, such as IBM, have gained admission to these programmes, and co-operation is being mooted between the EC-backed Jessi programme and Sematech, its US counterpart, which is funded by the Pentagon. However, Japanese companies remain firmly excluded from the European "club".

The EC has also used trade policy to try to shelter European producers from competition, particularly from Japan and other Asian countries. During the 1980s, it launched anti-dumping actions against many imported electronics products, imposed quotas and higher tariffs on products such as video recorders and cracked down on Japanese "screwdriver" plants.

Many of these actions have proved controversial – and not just with the Japanese. The EC's recent agreement with Japan on minimum chip prices has been attacked by computer companies such as Olivetti and ICL, which fear it will increase their costs. Critics also argue that Philips's success in securing subsidies and trade protection has stifled commercial initiative and encouraged a bureaucratic management culture which is at the root of the company's current crisis.

However, any temptation to retreat further into a defensive "European champion" approach will face obstacles. Indeed, Fujitsu's planned acquisition of ICL seems likely to pose a stark dilemma. To eject ICL from the European industry "club" would be highly disruptive and politically controversial. But the alternative would be to accept as a full member one of the Japanese companies against which European industry collaboration was specifically directed.

Some industry experts, such as Dr Ken Guy of the Sussex Science Policy Research Unit, argue that opening up EC programmes to wider international participation is in any case inevitable. Dr Guy thinks growing competitive pressures and the need for capital will eventually force other European companies into the hands of US and Japanese competitors.

Indeed, in spite of their much-vaunted spirit of collaboration, European companies have much more difficulty forging strategic alliances with each other than with US or Japanese competitors. One example was the failure of lengthy talks between ICL, Nixdorf and Olivetti on a three-way merger: the idea foundered on disagreements over who would have management control.

Meanwhile, other forces are re-shaping the structure of Europe's electronics industry. As companies such as Philips and Thomson shift manufacturing from Europe to low-cost locations in Asia, their overseas competitors are transferring more production to Europe.

US computer companies like IBM and Digital have long had sizeable factories in Europe, while the 1980s saw a rapid expansion of Japanese consumer electronics assembly plants there. Now a new wave of investment is under way in large-scale semiconductor factories, led by suppliers including Fujitsu, Hitachi, Mitsubishi, NEC and Texas Instruments.

These companies' commitment to European technological independence may be questioned by their local competitors. But their bold investment strategies are likely to provide a steadily increasing share of European production, employment and exports. In the longer term, the implications of their steadily expanding presence by the back door are likely to be as important for Europe's strategy in IT as Fujitsu's much-publicised takeover of ICL.

OBSERVER

Genscher to drop by

■ If there is still any discord in Anglo-German relations, this coming weekend offers the chance to clear it up once and for all.

Hans-Dietrich Genscher, the West German Foreign Minister, and his wife Barbara are flying to London on Sunday on a private visit as the guest of Douglas Hurd, the Foreign Secretary. After an excursion to Glyndebourne (Verdi's Falstaff), they will stay at the Foreign Secretary's country house at Chevening before being flown to Downing Street by helicopter for a chat with Mrs Thatcher on Monday.

(It is a mark of Genscher's interest in the visit that he is staying the night at all; he usually prefers to fly in and out on the same day when on missions in Europe.)

Genscher does not intend to bring up the Ridley affair, which he regards as settled. But some work remains to be done at a personal level.

Hurd's dry sense of humour has not always gone down well with Genscher; he was upset a year ago when Hurd made a joke about nuclear weapons modernisation during a speech on Anglo-German relations in Düsseldorf. But Bonn Foreign Ministry officials say Genscher now admires Hurd's "pragmatism." A warm relationship has blossomed between them at the recent foreign minister sessions on German unity. Genscher is also canny enough to know that Hurd has emerged strengthened from the Ridley imbroglio.

Mrs Thatcher has had her ups and downs with Genscher too. A few years ago she puzzled and hurt him by letting it be known that she did not trust him, mainly, it seems, because he had brought down Helmut Schmidt's coalition. But the Prime Minister is now definitely in a mood to be nice to the Germans. Last week she went out of her way to thank Chancellor Kohl for his magnanimous reply to a question over Ridley at a press conference. She is almost certain to be charming to Genscher too.

Gold bust

■ Definitely the last piece about Ukrainian gold. The Bank of England completed its searches yesterday and stated categorically that there was no trace of the barrel of gold allegedly deposited by Col Polubotok.

Dr David Gulley, investment director of the World Gold Council, informs me that the £16,000m worth of gold which the Ukrainians are claiming would amount to 2m tonnes and is equivalent to 2,000 times the best estimate of the total amount of gold mined throughout history.

It would also amount to 38kg of gold for every Ukrainian, which is probably why Gennady Oudovenko, the Ukrainian ambassador to the United Nations, continued to assert yesterday: "This is not a legend. This is reality."

Maybe Polubotok deposited it at one of the old English trading company banks.

Lilley's views

■ Anyone dealing with Peter Lilley, the UK's new Trade and Industry Secretary, elevated through Nicholas Ridley's recent departure, should be aware of his views on government officials.

These are contained in a study of UK policy on the sale of North Sea oil licences written when Lilley was still scratching away as an oil analyst at W. Greenwell, the stockbrokers, back in 1976.

Lilley is attacking the UK practice whereby licences were effectively granted to oil companies on the recommendation of officials rather than auctioned off to the highest bidder.

"I haven't read The Satanic Verses but I've written the script of The International Guerillas."

"The exercise of discretion gives to officials individually and collectively prestige, power and a sense of importance which would be lost if they were reduced to the role of auctioneers," Lilley wrote.

"Moreover, the whole bureaucratic *raison d'être* rests on the presumption that officials can organise things better than markets."

Therein may lie the answer to the mystery of why Lilley got the job at the DTI. He promised to do it in.

Electric chair

■ Spare a thought for Ed Wallis, chief executive of PowerGen, who decided that mid-July was an ideal slot for a well-deserved break on the Continent. He assumed that the big decisions on electricity privatisation had been made.

Wallis was hastily summoned back from holiday in Switzerland when Robert Malpas, his chairman, heard the dramatic news of Hanson's interest in bidding for PowerGen. The first inkling outsiders had of something afoot was last Monday, when Malpas arrived late and unusually subdued for an institutional lunch hosted by S.G. Warburg.

Some guests reckoned something unexpected must have happened when Malpas revealed that he had come hot-foot from John Wakeham, Energy Secretary. Few guessed just how unexpected.

PowerGen watchers expect Malpas to be an early casualty if Hanson takes over the company. Now aged 62, he joined PowerGen from British Petroleum last year as part-time chairman and has concentrated on promoting the company on the conference circuit.

John Rennocks, PowerGen's finance director, must also be feeling uncomfortable. The only other non-electricity full-timer on the PowerGen board, he joined the company from the relatively quiet pastures of Smith & Nephew, the health care group.

Rennocks was tempted by the chance to become finance director of a FT-SE company. That prospect would hang in the balance if Hanson took over, although Rennocks has impressed some parts of the City since joining PowerGen.

The rest of PowerGen's top management team are life-long electricity buffs. Some observers were surprised that Wallis, a utility man to his fingertips, was offered the chief executive's job, although he appears to be growing into it.

Hanson would of course need such insiders to run the business. Its usual practice after a takeover is to set incumbent managers a tough financial framework and monitor very closely how they perform.

Hot woman

■ From a programme note for the Kenwood open air concerts: "Wotan . . . lit a circle of fire around Brunnhilde." Not to be confused, of course, with Freia.

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DIVIDEND NO 110
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Pursuant to the notice published on 27th June 1990 members are informed that the rate of exchange at which payments of the above dividend are to be despatched by the United Kingdom Paying Agents on 2nd August, 1990 is 1 rand of 100 cents equals 20.964361p United Kingdom currency. The gross dividend payable by the United Kingdom Paying Agents is therefore, equivalent to 12.5786p per share. Holders of share warrants to bearer are informed that payment of Dividend No. 110 will be made on or after 2nd August, 1990 upon surrender of Coupon 113 at the office of Barclays Bank PLC, Stock Exchange Services Dept., 168 Fenchurch Street, London EC3P 3HP.

	Amount payable per share (U.K. Currency) p
Equivalent in United Kingdom currency of dividend declared	12.5786
Less: South African Non-Resident Shareholders' Tax of 15%	1.8868
AMOUNT PAYABLE WHERE A U.K. INLAND REVENUE DECLARATION IS LODGED WITH COUPONS	10.6918
Less: United Kingdom Income Tax @ 10% on the gross dividend (see notes 1&2 below)	1.2579
AMOUNT PAYABLE WHERE COUPONS ARE LODGED WITHOUT UNITED KINGDOM INLAND REVENUE DECLARATIONS	9.4339

Coupons must be listed on forms obtainable from Barclays Bank PLC and deposited for examination on any week-day (Saturday excepted) at least seven clear days before payment is required.

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LONDON EC2M 3XE.
25th July, 1990

BARNATO BROTHERS LIMITED
London Secretaries
Mrs. A.F. Smith
Secretary

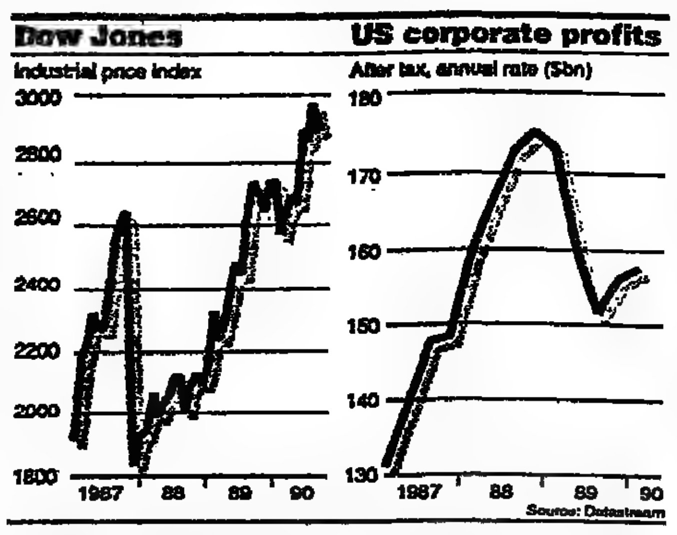
NOTES:

(1) The gross amount of the dividend for use for United Kingdom Income and Surtax purposes is 12.5786p.

(2) Under the Double Taxation Agreement, between the United Kingdom and the Republic of South Africa, South African Non-Resident Shareholders' Tax applicable to the dividend is allowable as a credit against the United Kingdom Tax payable in respect of the dividend. The deduction of tax at the reduced rate of 10% instead of at the standard rate of 25% represents an allowance of credit at the rate of 15% in respect of South African Non-Resident Shareholders' Tax.

The pains of dependency

Anthony Harris looks for the underlying causes of the downturn in the US economy



The sharp Wall Street correction on Monday may well prove something of a diversion. Already, the usual suspects are being rounded up: the Chicago financial futures market, the program traders. The sterile debate about whether derivative trading makes the market more volatile, or simply achieves correction faster, is being rehearsed, both in New York and in Congress. This is familiar ground, and there is some complacency this time round: the circuit breakers installed after the Brady report of 1987 to slow down trading in a potentially panicky market worked beautifully. It is much more comforting to dwell on this than on the real reasons why sentiment is jittery.

The immediate triggers were the equally sharp overnight fall in Tokyo, and weekend nervousness about the Fed's regular report on the economy to the Senate banking committee last week, and especially the statement from the chairman, Mr Alan Greenspan, which backfired. Mr Greenspan meant to be reassuring. He said the Fed was aware of the disinflationary dangers of the wave of extreme caution which as swept through the US banking industry, and would offset it; and it would also offset the deflationary impact of any serious fiscal tightening that Washington might achieve. The markets were not reassured. The bond market concluded that lower short rates, whatever the justification, would mean a weak dollar; bonds fell sharply in anticipation of higher inflation, and of the higher returns overseas investors would require. (Prices eased again yesterday after Mr Greenspan said in the House that he is worried about inflation, correcting a possible impression from his Senate evidence that he is not. In a sullen market he cannot get it right.)

Then came a rise in Japanese interest rates, and the fall in the Tokyo market. Wall Street was sharply reminded that the US equity market, as well as the bond market, now relies partly on foreign inflows, and that the Fed might find it difficult to deliver on its policy, whether this is regarded as a promise or a threat. Any British reader with memories of a steep yield curve, a weak currency and the fear of the legendary gnomes of Zurich will know how demoralising this kind of dependency is; in the US, it is a novelty.

None of this would be unduly worrying if the US economy were regarded as robust; but while the economic forecasts – business forecasts as much as those from the Administration and the Fed – show very little cause for concern, they inspire only a hollow confidence.

This is partly subjective: most of the financial opinion-makers live in the north-east, which is currently suffering a sharp regional recession, accounting for about half of the 16 states now officially classified as in recession. Bullish forecasts contradict personal experience. But those trying to read the economy are also aware that models projecting past data may be bad guides at the moment.

The main threats to the eight-year-old expansion are the downturn in construction, defence cuts and a sharp scaling back in investment spending. All have one thing in common – a long production pipeline. In construction, for example, new housing starts and permits have fallen by a third in the last two years, and new commercial projects are at a virtual standstill. But construction activity and employment went on rising until only three months ago, and have scarcely begun to fall.

The story is much the same in defence and in capital goods: orders are sharply down, but it will take some time to work through existing order books. Equally, the attempts, especially at the state level, to cut public spending programmes is a threat mainly for the future. The momentum is all these fields continues, but there is no longer any push.

There have always been depressed regions and industries throughout the expansion, and there are still some quite strong positives. Farm incomes have risen strongly after the drought two years ago. The computer industry is recovering strongly with new products, the motor industry managed an unexpected sales revival in recent weeks, industrial output is still growing; and above all, as Mr Greenspan pointed out, inventories remain lean.

There are also positive regions. The south is emerging from its long nightmare, when the fall of oil prices led to financial collapse; and the industrial mid-west, laid flat during the dollar over-valuation of the mid-1980s, is still in a strong secondary phase of recovery, with housing and retail investment leading the way. The west coast worries about drought, overcrowding and the loss of its old dynamism, but is still a growth area by any standards but its own.

All the same, the core of any remaining optimistic forecasts, such as those from Morgan Stanley, which expects growth to rise to a 3 per cent annual rate in the second half of this year, rest on hopes for a recovery in consumer spending; but here the strongest doubts are beginning to appear.

They are inspired by the low confidence shown in recent surveys, with a large majority of the middle class wondering how it will make ends meet in the next decade; on the sharp fall in consumer borrowing, now barely keeping pace with nominal income; and most directly by the disappointing profit record, which speaks of a tight market in everything from cars to hamburgers.

There are also some reasons to fear that past real spending is being overstated. The share of consumer spending taken by services has been rising sharply. This is often contractual, and costs have been rising twice as fast as average retail prices. Rising local taxes are also inescapable (and reflected in the official shelter cost index); and so, to some extent, are rising air and public transports fares and sharply rising tobacco prices. All these trends are squeezing discretionary spending.

The bulls still argue that this reflects simply a temporary pause in income growth, which has now resumed, according to official figures. There are rumours, though, that the figures are faulty, and about to be revised sharply downwards. Given the huge recent revisions to other key figures – notably employment and housing – this scepticism is easy to understand. Congress has always demanded quick figures (and prescribes its wishes in law). Inevitably, it gets inaccurate ones. The real economy is visible only through a fog, so the mood about it can swing freely.

That mood is partly inspired by the grim state of the financial system. An immediate trigger for Monday's fall was a report that a little-known agency which guarantees student loans may be insolvent. There are similar fears about insurance for private-sector pensions. And the cost of the $500bn savings and loan catastrophe was officially estimates at a mere $50bn not long ago.

Mr Greenspan may argue that these costs are illusory, a transfer from one pocket to another; but they mean heavy official borrowing, higher long-term rates, a shell-shocked banking system and soft property values. On the east coast, these are the most obvious realities. The economy may yet muddle through – for none of the figures suggests anything remotely like the depression of 1981-82; but confidence will be weak for a long time.

Questions and answers on the hard Ecu

By Paul Richards

A month has passed since the Chancellor launched the UK's proposal for the next stage in an evolutionary approach to monetary union. The proposal involves the establishment of a European Monetary Fund to manage the hard Ecu, among other things. A number of questions about the proposal have been raised: this article suggests that there are good answers.

Does the UK proposal add anything?

Yes. First, it would provide businesses and individuals with a common currency at an early stage.

Second, it would help to create the conditions for monetary union by promoting convergence on low inflation throughout the Community beyond Stage One of the Delors Report.

Third, it would enable the prospective monetary institution for the Community to establish its credibility.

Fourth, it would also have the advantage of avoiding a two-speed approach to monetary union. All countries could take part in the EMF on an equal basis, by contrast with the alternative idea suggested by the Bundesbank and others that a few would move quickly to a single monetary policy.

Is it inflationary?

No. In order to prevent the validation in hard Ecus of excessive liquidity creation at national level, national central banks would accept an obligation in the UK's alternative Stage Two to repurchase their currencies at the request of the EMF in exchange for hard Ecus or foreign currencies. An additional obligation on them could be to maintain the hard Ecu value of any EMF holdings of their currencies.

Is there any ambiguity about responsibility for monetary policy?

No. In Stage Two decisions about national monetary policy would be taken at national level. Decisions managing the value of the hard Ecu would be taken collectively at Community level. The introduction of the EMF would act as an extra constraint on national monetary policy, but it would not directly interfere with it.

Is the UK proposal consistent with achieving Stage Three (ie: monetary union)?

Yes. It suggests a way in which the Community as a whole could evolve from Stage One to Stage Three. In showing how Stage Two could work, it fills a gap that was left by the Delors Report.

But this does not mean that a decision needs to be taken now about implementing Stage Three. On the contrary, there would be significant risks in fixing exchange rates irrevocably and imposing a single currency before the Community as a whole was ready to do so.

Will the EMF's monetary policy be independent of the Bundesbank?

Yes. First, the hard Ecu would be managed by a Community institution rather than by the Bundesbank.

Second, the hard Ecu would not be the same as the Deutschmark: the Deutschmark's central parity in terms of the hard Ecu could never be revalued, though it could be devalued.

Third, as the credibility of the EMF and the use of the hard Ecu grew, the management of Ecu interest rates by the EMF could be expected increasingly to influence national interest rates rather than the other way round.

Is the hard Ecu a one-way bet near realignments?

No. First, the market would not be certain about the timing of any realignments in advance.

Second, one or more national currencies would remain as attractive as the hard Ecu when a realignment was in prospect.

Third, the commitment not to devalue the hard Ecu should lead in time to somewhat lower interest rates on the hard Ecu than on other strong national currencies, imposing an interest cost on speculators in hard Ecus.

Will the hard Ecu be attractive to potential users at all?

Yes. The attraction to savers would be the commitment not to devalue the hard Ecu against their national currency. The attraction to borrowers would be the relatively low interest rate.

Initially the hard Ecu would be likely to be used more by companies trading across the Community and by their banks than by individuals, who are traditionally reluctant to give up the use of their national currency.

Does the transition to Stage Three depend on complete substitution of hard Ecus in place of national currencies first?

No. The exercise of market choices in favour of the hard Ecu would no doubt be one of the factors that would need to be taken into account by member governments in deciding when the time was right to move from Stage Two to Stage Three, but not the only one.

Will the interest rate on the hard Ecu be lower than the interest rate on the strongest national currency?

Once the credibility of the EMS was established, the interest rate on the hard Ecu would be likely to be lower because of the risk that the strongest national currency would change from one realignment to another. But the difference in interest rates would not be likely to be great.

What is wrong with the basket Ecu (ie: the Ecu as currently defined, comprising the sum of fixed weights of the national currencies of member countries)?

First, it would be inconsistent to promote the use of the basket Ecu, which represents the average inflation rate in the Community, while following a monetary policy based on the best.

Second, the basket Ecu would be unlikely to be able to compete with the Deutschmark, unless member countries were all prepared to make a commitment to a single currency on a specified future date, which they are not.

Third, Ecu interest rates could not be manged by the authorities while the Ecu remained a basket currency, because they would either have to remain very close to the weighted average rates on the component currencies in the basket, or arbitrage opportunities would develop. The only constraints on arbitrage of this kind in short maturities would be transaction costs, liquidity constraints and distorting factors.

What will happen to the basket Ecu?

One option would be to replace the basket Ecu with the hard Ecu at the beginning of Stage Two, with continuity in the Ecu's external value at the point of change, in a similar way to the proposed replacement in Stage Three of national currencies by the single currency via the imposition of irrevocably fixed exchange rates.

But this option would not fit easily with the principle of freedom of choice. The alternative would be to allow basket Ecu contracts to run off, and to leave it to the market to devise ways of exchanging basket Ecus into hard Ecus once the launch of the hard Ecu had been announced.

How does the proposal help eastern Europe?

Under the UK proposal, the hard Ecu would act as a European standard of value, not simply for the Community – it could become a standard for the emerging democracies of eastern Europe as well. Like the gold standard, the hard Ecu would be the common denominator of the system: it would not need to be used in every case. Unlike the gold standard, the hard Ecu would be managed on the European standard by the EMF.

The author, a director of Samuel Montagu, collaborated with Sir Michael Butler, a director of Hambros, on a proposal for the hard Ecu which Mr John Major, the Chancellor, acknowledged when he put forward his own plan in June.

THE DELORS REPORT'S STAGES TO EMU:

Stage One: universal membership of the exchange rate mechanism of the European Monetary System and completion of the internal market, including abolition of all exchange controls. Stage One began formally in July 1990.

Stage Two: entry into force of a new treaty on economic and monetary union and establishment of the European System of Central Banks.

Stage Three: transfer of full monetary and economic competences to Community institutions, irrevocably locked exchange rates and a change-over to a single currency.

The dates for the beginning of Stages Two and Three are undecided.

LETTERS

The future pattern of UK telecommunications

From Mr B.S. Pearson.

Sir, British Telecom's latest price increases ("Household phone bills to rise," July 19) serve as a timely reminder that the shape and pattern of telecommunications services in this country for the next decade are to be settled over the next six months.

Mr Iain Vallance, BT's chairman, asserts (Letters, June 29) that the Government has a duty to open foreign markets to UK companies if it is to open the same markets in the UK to competition. He also asserts that the key players in the global telecoms market have protected domestic markets.

Protected from whom? The largest domestic market – the US – is a veritable battleground for Thatcherite free-marketeers in which BT is an increasingly active player. Mr Vallance omits to mention that such protection from "foreign" entry as there is in the US is limited and narrowing all the time. He also omits to mention that his domestic Japanese counterpart, NTT, is under siege from alternative suppliers on one hand and from its own Government on the other.

On the question of disaggregating BT, the chairman draws attention to the second choice solution of your editorial comment ("Cosy duopoly in telecoms," June 26) – dividing BT into subsidiaries. He sidesteps your first choice – that BT should be separated into totally independent companies, as in the US and Japan.

He calls his own market research in support of his view that business customers do not want to deal with a plethora of independent units "in BT." Is it surprising that the customer resents having to co-ordinate the activities of disparate BT units, particularly when the customer has no choice but to deal with BT? The real issue is that customers, business and domestic, would much prefer to have a real choice of competitively priced services from alternative suppliers.

The chairman asserts that the tide of digital technology, as it creeps imperceptibly across the country, makes for networks that are best run in a seamless fashion. An alternative view, as networks become more intelligent and flexible, is that it will become easier for the market to be serviced by as wide a range of suppliers as the market can bear.

The outcome of the Review of Telecommunications Policy will affect all in industry at large who use telecoms, as well as those who could well become suppliers of such services under a new regime.

The last landmark decisions affecting telecoms were taken very much behind closed doors in the early 1980s. This time the debate must be in public and must expose to the full rigours of open scrutiny the arguments of "national interest", "tariff rebalancing" and "cream skimming" that were used on the last occasion by those seeking to preserve their respective vested interests.

As for BT's price increases, a "shake up" *per se* would not necessarily be a bad thing, but what we must see is cost/price satisfaction. Is the consumer getting value for money? I see that Sir Bryan Carsberg "has accepted the need for a thorough examination of the issue." This will, of course, be in public, won't it? Or will the need to preserve BT's commercial secrets be allowed to override a very real public interest?

All this information is germane to a sensible and rational debate on telecoms policy. In its absence people will have to draw their own conclusions and "people" are perhaps unlikely to give BT the benefit of any doubt.

B.S. Pearson,
PO Box 2,
Umberleigh, Devon

From Mrs Vivienne Peters.

Sir, The description (July 19) of the Telecommunications Users' Association as representing "mainly residential and small business users" needs amplification. This association's membership comprises multinational conglomerates, national corporations and large professional practices as well.

With regard to BT's proposed tariff changes, the large corporate users will see only marginal increases on their bills. The impact of the increases for 22m domestic subscribers will be far in excess of the most recently published retail price index figure (9.8 per cent).

Vivienne Peters,
Chief Executive,
TUA,
48 Percy Road, N12

A long wait for free trade

From Mr Hugh Corbet.

Sir, The headline ("Textile companies launch drive to phase out MFA," July 18) could hardly have been more misleading for a report on how the textile lobbies of the European Community and the US plan to carry on the campaign for continuing protection that began with the short-term cotton textile arrangement of 1960.

For 30 years the short-term arrangement, the long-term arrangement that quickly followed and then its successor, the multi-fibre arrangement (MFA), were supposed to provide the textile and clothing industries of North America and western Europe with a "breathing space" in which to adjust to competition from developing countries. Instead protection has been steadily spread and intensified.

Now the lobbies want another 15 years. They may say the extra time "is necessary to prepare the international industry for free trade," as reported, but anyone who believes that will believe anything.

An MFA phasing-out period of five three-year stages, overseen by a regulatory body embracing representatives of the European and American textile industries, with the power to veto further liberalisation at any stage, is plainly meant to provide opportunities to come up with new devices for looking after sectional interests. Waiting for free trade in textiles and clothing under such a scheme would be like waiting for Godot.

The Uruguay Round negotiations are meant to phase out the MFA and return international trade in textiles and clothing to the trading system of the General Agreement on Tariffs and Trade. They are not meant to replace it with something else.

Hugh Corbet,
85 Warrington Crescent, W9

NP neutral on carbon tax

From Mr J.P. Sondheimer.

Sir, The headline on David Thomas's article ("National Power urges carbon tax to cut pollution," July 12) is wrong. National Power does not urge that such a tax be introduced.

It is true that, as the article says, our run on the Cambridge Econometrics model produced the result that in the long run economic activity could be slightly higher as a result of the package of tax changes that we modelled. However, the article did not mention the long string of qualifications in our paper detailing the reasons why this result could not be regarded as robust.

Furthermore, National Power would not regard the impact on economic activity as the sole criterion for backing a package of tax adjustments. There is a wide range of other issues to be addressed, as we stressed in the paper. The article did not mention the adverse implications we found for the package in the shorter run, or the comments we made about the distributional implications of the package or the wider policy implications of introducing a major new type of tax. All these issues need to be weighed before a policy conclusion on such a package of tax changes could be reached.

To set the record straight, National Power's position on the role of a carbon tax in meeting possible carbon dioxide targets is at this very early stage of analysis neutral. We neither support nor oppose it.

J.P. Sondheimer,
Economic and Commercial Strategy Manager,
National Power,
Sudbury House,
15 Newgate Street, EC1

A principle demonstrated

From Mr Michael Nevin.

Sir, David Lascelles concludes ("Midland's marriage prospects," July 18): "Perhaps the biggest casualty of Midland's failure to stamp out trouble is the reputation of Sir Kit McMahon" and the experts he drafted to help him.

This illustrates the truth of the principle enunciated by the American master investor, Warren Buffet: "When a management with a reputation for brilliance tackles a business with a reputation for poor fundamental economics, it is the reputation of the business that remains intact." (Letter to Shareholders, Berkshire Hathaway 1985 Annual Report).

Michael Nevin,
Providence House,
10 Elliscombe Road, SE7

Tell us about your compensation claims before the flood

On 3rd September, the new system of recovering benefits from compensation payments for injury or illness will be introduced.

This new system will be administered by the Compensation Recovery Unit (CRU) in Newcastle.

We're now receiving notification of compensation claims, where it seems unlikely that the claim will be settled before 3rd September.

So far, however, the notifications haven't exactly been pouring in. More of a trickle in fact.

Which means there's the distinct possibility of them flooding in immediately before 3rd September.

So we'd like your notifications as soon as possible.

Obviously, the earlier the notification, the sooner we can respond with the necessary information to allow compensation to be paid.

Which will ease your work-load as well as ours.

The notification procedure is easy, and we will happily give advice and information on the subject.

Just phone us on 091 225 8560/8533.

In Northern Ireland phone 0232 63939.

Issued by The Department of Social Security

NEWPORT
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FINANCIAL TIMES
Wednesday July 25 1990

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Bush sidesteps Supreme Court pitfall

An astute appointment is likely to avert a confirmation battle, writes Lionel Barber

ONCE again, President George Bush has demonstrated his ability to counter-punch under pressure. His swift nomination of Mr David Souter, a little-known judge from New Hampshire, to fill the vacant seat on the US Supreme Court has temporarily disarmed critics on the left and right.

This is no mean feat. Many respectable politicians, including Mr Robert Dole, the Senate Republican leader, warned over the weekend that the Supreme Court nomination could turn into a bloodbath, particularly if fought over the single issue of abortion.

Supreme Court nominations are always contentious because of the Court's power to review laws affecting all aspects of American society.

This year, the stakes were higher than usual because Justice William Brennan's abrupt resignation on health grounds last Friday removed a liberal stalwart of more than 34 years from the bench, offering Mr Bush a chance to tilt the balance of the Court decisively in a conservative direction.

In an election year, with his popularity showing signs of slipping and restiveness in his own party, Mr Bush decided it was time to play safe.

Mr Souter, recently elevated to the First Circuit Court of Appeals in Boston, has solid conservative credentials without being an ideologue; but far more important from the point of view of the forthcoming Senate confirmation hearings, the judge's opinions on abortion and many other contentious national issues remain a mystery.

Federal Appeals Court judge David Souter responds after his nomination by President Bush (right) to the Supreme Court

Most of Mr Souter's published opinions from his seven years on the New Hampshire Supreme Court concern interpretations of subjects such as negligence, family law and criminal procedure.

Moreover, he was confirmed only two months ago by the US Senate to the Court of Appeals, making it doubly difficult for Senators to turn round and reject him for his new post on the US Supreme Court.

The President, it seems, has learnt a lesson from the then President Ronald Reagan's disastrous nomination of Judge Robert Bork to the Supreme Court in 1987.

Mr Bork's outspoken conservative views and his voluminous writings made him easy meat for the Democratic majority in the US Senate, which rejected the nomination overwhelmingly, mainly on the grounds that he would overturn important earlier judgments on the right to privacy, affirmative actions programmes for minorities and the landmark 1973 Roe v Wade ruling offering women the constitutional right to an abortion.

The contrast between the contentious Mr Bork – who took sensual pleasure in light cigarettes, martinis, large meals and ideas – and the self-effacing Mr Souter, the bachelor who takes long walks in the New Hampshire mountains and drives a beaten-up jalopy, could not be greater.

Mr Souter's intellectual credentials appear beyond doubt. He graduated from Harvard College in 1961 and spent two years at Magdalen College, Oxford, as a Rhodes Scholar.

On his return to the US, Mr Souter entered Havard Law School and received his law degree in 1966.

Having served in private practice, he then moved up the public sector ladder, becoming state Attorney General, an appointive office, in 1976.

His elevation to the First Circuit Court of Appeals and his latest nomination is largely due to the influence of two powerful political patrons in Washington: Mr John Sununu, the former New Hampshire governor who is currently White House Chief of Staff; and Mr Warren Rudman, the former US Attorney General of New Hampshire who is the state's senior US Senator.

Both Mr Rudman and Mr Sununu have quietly pushed Mr Souter's cause since the defeat of the Bork nomination. Mr Sununu, who is the conservative within the Bush White House, is said to have remarked that his appointment of Mr Souter to the New Hampshire Supreme court in 1983 was his finest achievment as governor.

Thus a brick wall has been built around Mr Souter, making it very difficult for opponents to attack his nomination.

This will not prevent outside pressure groups such as the National Abortion Rights Action League from attempting to mobilise opposition around the abortion issue; but it is far from clear whether key Democrats such as Senator Joseph Biden, who chairs the Judiciary committee, or Senator Edward Kennedy, will follow their lead.

Certainly, Mr Bush made clear on Monday evening when introducing a visibly overwhelmed Mr Souter to the White House press, the administration intends at all costs to avoid turning the nomination into a litmus test on abortion.

"It would have been inappropriate to ask him his views on specific issues," Mr Bush said.

Sometimes - particularly during the mean-spirited 1988 election campaign - Mr Bush can oscillate between playing Dr Jekyll and Mr Hyde. On the Souter nomination, the President clearly decided it was time to play Dr Jekyll.

Soviet republics likely to resist treaty

By Leyla Boulton in Moscow

THE KREMLIN expects a new treaty binding restive Soviet republics together to be ready by December, an adviser to President Mikhail Gorbachev said yesterday.

Mr Grigory Revenko, a member of the Presidential Council, also named eight areas of responsibility which Moscow plans to keep in a loose confederation of sovereign states.

However, the list, which includes not only defence and currency circulation, but computerisation, energy and transport, is likely to meet fierce resistance from many republics.

"In December we hope for a first reading of that document," said Mr Revenko, adding that after examination by the Supreme Soviet (parliament), the treaty might be put to a referendum.

The draft treaty is being drawn up by experts from all over the country. Top Soviet officials have been studying legal models from around the world, ranging from the US constitution to the Swiss confederation.

Mr Gorbachev proposed the switch to a loose confederation of sovereign states, with tailor-made ties to the centre, a month ago, in response to mounting ethnic tension and nationalist yearnings.

Most of the country's 15 republics – except the Baltic states which want full independence – have expressed enthusiasm for the plan.

But in recent weeks, several republics have unveiled unilateral measures asserting their sovereignty.

The Russian Federation, headed by President Boris Yeltsin, has led with a series of challenges to Moscow, including a decision to take control of all banks.

The Ukraine, the country's second-largest republic, has claimed the right to create its own security forces and its intention to become a neutral state.

A relative latecomer in the nationalist fray, the Belorussian parliament began discussing a declaration of sovereignty yesterday.

Referring to the spate of unilateral decisions, Mr Revenko told reporters: "You've got to look at this realistically.

"Today many serious documents are imbued with the atmosphere of a political meeting. They are not properly thought out."

UK inflation unlikely to meet target

By Philip Stephens, Political Editor, in London

MR JOHN MAJOR, Britain's Chancellor of the Exchequer, acknowledged yesterday that the Government is unlikely to meet its target of bringing down inflation to 5 per cent by the middle of next year.

He also acknowledged the possibility that the plans of some of Britain's European Community partners to move rapidly towards full economic and monetary union could lead to a two-speed Europe.

Mr Major insisted that high interest rates were succeeding in curbing demand in the economy. Inflation, currently at 9.8 per cent, was likely to rise "a little higher", before falling back later in the year and continuing to decline through the first half of 1991.

Facing a strong attack in Parliament from Mr John Smith, the opposition Labour Party's shadow chancellor, on the Government's handling of the economy, Mr Major added that the pace of price rises would decelerate "a bit more slowly than we had hoped."

That was taken as indicating that the Treasury's internal forecasts now point to an inflation rate of closer to 6 per cent in mid-1991 than the 5 per cent forecast at the time of the Budget.

It will also reinforce the expectation among most senior ministers that, barring unforeseen good news, the earliest likely date for a British general election – due by mid-1992 at the latest – is the autumn rather than June of next year.

Mr Major said that the evidence that the Government's present policy was working was indisputable: "It is there for all to see in the housing market .... It is evident in the high street and in the sales of new cars.

"It is evident in slower money growth and in the easing of capacity constraints in industry and a better export performance."

New cuts in UK defence spending

Continued from Page 1

Cabinet this morning – focus on a measured scaling down of Britain's defence capability in line with the diminished threat from the Warsaw Pact.

Mrs Thatcher is said to have rejected calls from some ministers for much more radical surgery and the bulk of the savings will not be available until after the general election due by mid-1992.

Whitehall officials said yesterday that Mr King was expected to confirm plans for an eventual cut in armed forces personnel of around 50,000 – with some 30,000 of that coming from the army, 15,000 from the air force, and 5,000 from the navy.

The 55,000-strong British Army on the Rhine (BAOR) will be significantly reduced, while the RAF will have to accept the closure of a number of its forward bases in West Germany.

The navy will also be told to scale back its planned requirements for new nuclear-powered hunter-killer submarines and to accept a reduction in its present notional complement of 50 surface warships.

British energy group plans to close two old power stations

By David Thomas, Resources Editor, in London

POWERGEN, the UK electricity generator which might be taken over by Hanson, the industrial conglomerate, is planning to announce the closure of two of its 21 power stations later this week.

The stations, understood to be Carrington near Manchester and Elland in West Yorkshire, are both old, coal-fired stations. Their closures are likely to presage a round of cost-cutting as PowerGen and National Power, its rival, move into the private sector.

National Power is expected to indicate that it wants to shed about 5,000 of its 16,000 workforce over the next three to five years when it unveils its annual results tomorrow.

PowerGen wants to shed about 1,000 of its 9,100 staff over the same period, although a Hanson takeover could be expected to accelerate that target. PowerGen's two closures this week are likely to involve the loss of several hundred jobs.

In an effort to thwart Hanson's plans, Mr Frank Dobson, the opposition Labour Party's energy spokesman, yesterday wrote to Mr John Wakeham, the Energy Secretary, saying that a future Labour Government would "require any individual or company to divest themselves of any holding in excess of 15 per cent. This will not involve any public expenditure."

Separately, Mr Wakeham announced details of the share package to be made available to the 130,000 workers and 60,000 pensioners in the industry on privatisation.

The Energy Department calculates that the package is worth about £860 ($1,565) in free shares to an average employee, but was unable to quantify its total cost.

Mr Wakeham confirmed that PowerGen employees will receive similar financial benefits if the company is acquired by Hanson, although the Energy Department has not yet decided how these benefits would be paid.

A notable feature of the share offers is that they will be available to the 14,000 employees of Nuclear Electric, which is to remain in the public sector.

Nuclear Electric's workers will be eligible for free shares in National Power, a competitor.

Government advisers said this novel arrangement reflected commitments made to unions before the nuclear stations were dropped from the privatisation process.

Eligible employees will be offered £140 of free shares plus £2 of free shares for every year of continuous service.

They will be offered two free shares for every share they buy, up to a maximum of £440 of free shares; a 20 per cent discount on a further £1,250 of shares; and priority application for a further £15,000 of shares.

The Electricity Supply Trade Union Council yesterday told Mr Wakeham that they wanted to be consulted on the details of the conditions which a single purchaser of PowerGen such as Hanson would have to accept.

These conditions will govern issues such as industrial relations arrangements and the break-up of PowerGen.

Background, Page 6; Observer, Page 12

The battle of Königsberg

Continued for Page 1

help. That is what several people told us. But it is the economic zone which has all the arguments in favour of it."

The entire German population of the region was deported, or fled, when the Red Army took over. Today, virtually all the 900,000 inhabitants have settled there in the last 40 years, predominantly from Russia, with a few Poles, Lithuanians and Soviet Germans.

There was a brief suggestion that it might become a new autonomous republic in the Soviet Union for the Volga German population, deported by Joseph Stalin. But they do not want to go there, Dr Lebahn said. "They either want their own area back, or they want to go straight to West Germany. They don't want to stop anywhere in between."

Deutsche Bank has not signed any commitments, Dr Christians said, but it has agreed to lend its substantial support to promoting the idea of the special zone, encouraging contacts for management training, scientific and cultural exchanges.

For the Deutsche Bank chairman, it is obviously a personal mission: "Having been a soldier there 45 years ago, wounded there, having seen what happened in a hostile manner – it is time to look for mutual understanding, to look at it the other way round."

Greenspan downplays interest rate cut

Continued from Page 1

recovering. At midsession, the blue chip index was quoted 7.92 points lower at 2896.78 on heavy volume.

The US Treasury's benchmark long bond was quoted $\frac{1}{16}$ point lower than Monday's weak close with general concerns about price pressures heightened by a jump in crude oil prices.

The dollar weakened to stand at DM1.6150 at midsession from a high of DM1.6280 earlier in the day.

Mr Greenspan expressed general confidence in overall conditions, though admitting that the New England economy was now "clearly in some difficulty."

National activity was "very sluggish" and "quite soft," he said.

As bipartisan budget talks are stepped up, he said a deficit reduction package in the \$50bn to \$60bn range in fiscal 1991 could be achieved without unnecessary economic risks.

The Bush Administration and Congressional leaders have now reached a closer understanding on the size of a deficit reduction package and on the broad range of spending and tax changes, but substantial disagreements remain on the specific measures.

After the first of a daily series of meetings this week at the White House, Mr Richard Gephardt, the Democratic House Majority leader, said "the ranges are ones that everybody can pretty well believe can be done. What gets hard is the details."

Mr Gephardt added that wide differences of detail still remain over entitlements, non-defence discretionary programmes, user fees, tax revenues, enforcement and budget process reform. There are also disputes over the range of defence cuts.

Mr Gephardt said that it was still possible to get a budget agreement before Congress goes into recess on August 3 or 10, but warned that talks might not be concluded until September.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	82	Berlin	C	17	63	Caracas	C	26	79	Faro	S	30	86	Islamabad	C	[illegible]	[illegible]
Algiers	S	29	84	Biarritz	S	29	84	Casablanca	S	27	81	Florence	C	30	86	Istanbul	S	30	86
Amsterdam	C	15	59	Bombay	Dr	27	81	Chicago	S	17	64	Frankfurt	[illegible]	20	68	Jakarta	C	32	91
Athens	S	35	95	Bordeaux	S	32	90	Cologne	C	17	63	Geneva	F	22	72	Jersey	S	22	72
Bahrain	S	37	100	Boulogne	F	21	70	Copenhagen	C	17	63	Gibraltar	S	30	84	Johannesburg	S	20	68
Bangkok	F	31	88	Brussels	C	17	63	Corfu	S	33	91	Glasgow	S	21	70	Lima	C	17	64
Barcelona	S	31	88	Budapest	S	25	75	Dallas	C	22	72	Helsinki	C	16	61	Lisbon	S	31	88
Beirut		–	–	Buenos Aires	F	16	61	Dublin	S	21	70	Hong Kong	S	31	88	London	S	21	70
Belfast	S	21	70	Cairo	S	33	93	Dubrovnik	S	32	91	Innsbruck	S	29	75	Los Angeles	C	29	88
Belgrade	S	25	77	Cape Town	C	16	61	Edinburgh	S	17	63	Inverness	S	16	61	Luxembourg	S	29	66

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	S	23	73	Milan	C	27	82	Nicosia	S	27	82	Salzburg	S	22	72	Tenerife	S	25	77
Madrid	S	32	91	Montreal	F	21	70	Oporto	S	26	79	San Francisco	S	13	57	Tokyo	S	31	88
Majorca	S	30	86	Moscow	C	20	68	Oslo	C	21	70	Seoul	R	25	77	Toronto	S	17	63
Malaga	S	32	90	Munich	C	21	70	Paris	S	22	72	Singapore	F	31	88	Tunis	S	35	95
Malta	S	32	90	Nairobi	F	21	70	Peking	S	27	81	Stockholm	[illegible]	17	64	Valencia		–	–
Manchester	S	16	61	Naples	S	27	82	Prague	S	26	79	Strasbourg	S	22	72	Venice	F	30	86
Manila	C	31	88	Nassau	C	31	88	Reykjavik	R	13	57	Sydney	S	25	77	Vienna	S	22	72
Melbourne	S	17	63	New Delhi	F	31	88	Rhodes	S	31	88	Taipei	F	36	97	Warsaw	C	15	59
Mexico City	C	23	73	New York	C	22	72	Rio de Janeiro	C	23	73	Tangier	S	32	90	Washington	S	22	72
Miami	S	26	79	Nice	C	26	79	Rome	F	27	82	Tel Aviv	S	29	84	Zurich	C	23	73

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

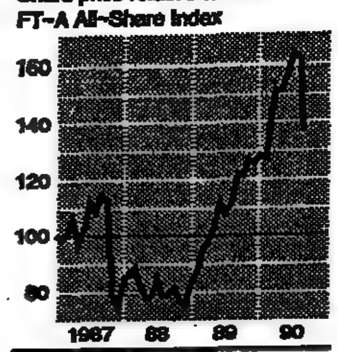
THE LEX COLUMN

Scrambled messages from Reuters

Reuters is the kind of glamour stock that cannot afford to disappoint. Yesterday it reported a perfectly respectable 26 per cent rise in interim earnings and hinted that full year profits may be only 20 per cent ahead, as opposed to earlier market predictions of 24 per cent. The shares plunged 15 per cent, which in terms of relative performance is much worse than anything that happened during the stock market breaks of October 1987 and 1989.

Reuters

Share price relative to the FT–A All-Share Index



As a near-monopoly supplier in a business which is undergoing rapid technological and product changes, it would be foolhardy to pretend that Reuters' position is impregnable. The slump in profits of competitors like Telerate and the rapid development of such niche operators as Bloomberg are a reminder that the boundary between success and failure in this industry is not wide. The strength of sterling will hurt second half profits; cancellation rates are rising; and the payback period of new products, like Money 2000 and Dealing 2000, is probably longer than some suspect. Nevertheless, there was nothing in yesterday's results to suggest that Reuters is not capable of continuing to grow considerably faster than the market.

Perceptions are all-important here. A year ago Reuters was selling on 20.7 times historical earnings. A week ago it was standing on a multiple of 30. Even after yesterday's correction it is still selling on 24 times earnings, making it the most highly rated stock in the FT-SE, bar a couple of oil companies. Over the last year, the historic multiple on the FT-A 500 has fallen by a sixth. Over the same period the multiple on the S&P Industrials has risen by more than a third. Reuters is a stock driven by American buying; yesterday's savage correction merely shows what happens when Wall Street feels jilted by a glamour stock. On purely fundamental grounds, Reuters is as hard to value as ever.

Oil

President Hussein's howitzer diplomacy in advance of the Opec summit has probably removed any downside risk in the oil price in the near term. But if so, that only increases the urgency of questions about what might happen later in 1990 and throughout 1991. Iraq's talk of a \$25 a barrel oil price probably only deserves to be taken seriously if viewed as a five-year target; but Brent crude averaging \$21-plus in 1991 now looks distinctly possible, if by no means certain. The implications for oil company earnings, let alone the world economy, are so wide that the stock market needs to look at the idea very closely.

The stakes are getting higher. For BP, the UK oil major most operationally geared to crude prices, every extra \$1 a barrel translates into about \$200m of extra net income. The effect of an oil price of \$21 throughout next year might be to add £350m or more to after-tax profits. This is tantalising arithmetic; and if the OPEC meeting produces the expected 22.5m b/d quota, one could well understand the stock market pushing oil shares up again strongly. There were strong indications of that already yesterday, in the way the market seized upon signs that Saudi Arabia has detached itself from Kuwait and the Emirates and fallen in on the Iraqi and Iranian side.

But this needs to be kept in perspective. A prolonged period of firm or rising oil prices depends not just on a 22.5m b/d quota but on making it stick. With US oil stocks still significantly above last summer's level, it will take some time to use up the excess, so there could still be some temporary autumn softness. And though Iraq has doubtless won this round of its oil war with Kuwait, to be successful for long it needs to be sure of Saudi support; and there more evidence may be needed.

Markets

Was it all a storm in a teacup? A week ago most of the world's equity markets were nudging new highs. Since then Tokyo has fallen by 4.4 per cent, Wall Street by slightly less and the FT-SE 100 is 55 points lower. Clearly, London and the Continental European equity markets have held up remarkably well in the face of some rather bearish noises coming out of Japan and the obvious nerves on Wall Street.

The UK equity market is being underpinned by the high level of institutional liquidity and Continental companies are not reporting the same kind of earnings disappointments as their US competitors. Nevertheless, if the weakness of global bond markets persists for much longer it is hard to see share prices moving ahead. Similarly, it is hard for major equity markets to ignore for long any sustained weakness in the dollar or Wall Street.

Reed Intnl

The UK market's capacity for surprise continues to astonish. Reed International's cautious AGM statement yesterday covered all the themes which should now be familiar: the UK consumer downturn, overseas earnings and the property collapse. Nevertheless, the shares fell by 7 per cent. Despite any amount of bad news, it seems, the market's mood remains one of irrepressible optimism until proved wrong.

The most telling part of Reed's message is the continued squeeze on UK advertising revenues. Regional newspapers had long since been affected, followed by consumer magazines. But since the start of Reed's financial year in April, business magazines have been hit as well. And in both business and consumer publications, recruitment advertising seems to be suffering to an extent which serves as a warning on the underlying trend in UK employment. It is now Reed's assumption that there will be no improvement before next March's year end.

The market's hopes for the current year have been revised in line with the fall in the share price, to around £295m before tax. Though this is a decline from last year's £302m, that included £26m of exceptionals which will not be repeated, being largely based on property profits. The implied underlying growth is around 6 per cent, which is still rather at odds with the rapid growth promised from Reed's transformation to pure publisher. At 433p the shares are on almost 12 times earnings. Reed may have been unlucky in the timing of its grand strategy, but the market still seems to be giving it the benefit of the doubt.

Anglo Group PLC
has sold its wholly owned subsidiary
ANGLO
Anglo Leasing plc
to
The Summit Group plc
The undersigned acted as lead financial adviser to Anglo Group PLC in the sale of Anglo Leasing plc
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Cancellations hit Reuters shares

By Andrew Bolger

SHARES in Reuters Holdings fell by 15 per cent yesterday after the financial information and news group said that cancellations of its screen-based services to the world's financial markets had increased.

Reuters, which has been one of the best performing stocks in London in the last 18 months, saw its shares close yesterday 184p lower at 1045p.

Mr Glen Renfrew, managing director and chief executive, said: "Conditions in financial markets remain difficult and cancellations of Reuter services, which were already high, have recently risen further, reflecting office and departmental closures and economy drives by major clients, including US organisations with international networks.

"The cancellations have been heaviest in the UK, US, Taiwan (where regulations produced major cutbacks in the commodities business), Hong Kong and Australia." Mr Renfrew said that despite certain negative signs "there are still, however, many positive points."

Reuters reported pre-tax profits up 23 per cent to £167m in the six months to June 30, with revenue up 26 per cent to £688m and earnings per share also up 26 per cent to 25.9p. The interim dividend is 4.4p, a rise of 22 per cent.

The strength of revenue was partly due to the relative weakness of sterling against most major currencies during the period, but underlying growth was about 19 per cent.

Mr Renfrew said net new orders for rental products, though down on last year, remained substantial, especially in Reuters' main countries. New products were selling well and cancellation rates were low.

He added: "We shall also trim costs where we can without damaging growth prospects. On balance we expect continued good growth but do not think growth rates for the full year will match those of the first half."

Mr Renfrew said: "Although we cannot be sure, we do believe revenue will start in the fairly near future from our new automated trading products." These include the second phase of Dealing 2000, which will provide automated matching of foreign exchange buy and sell orders, and Globex, which will provide similar facilities for futures trading.

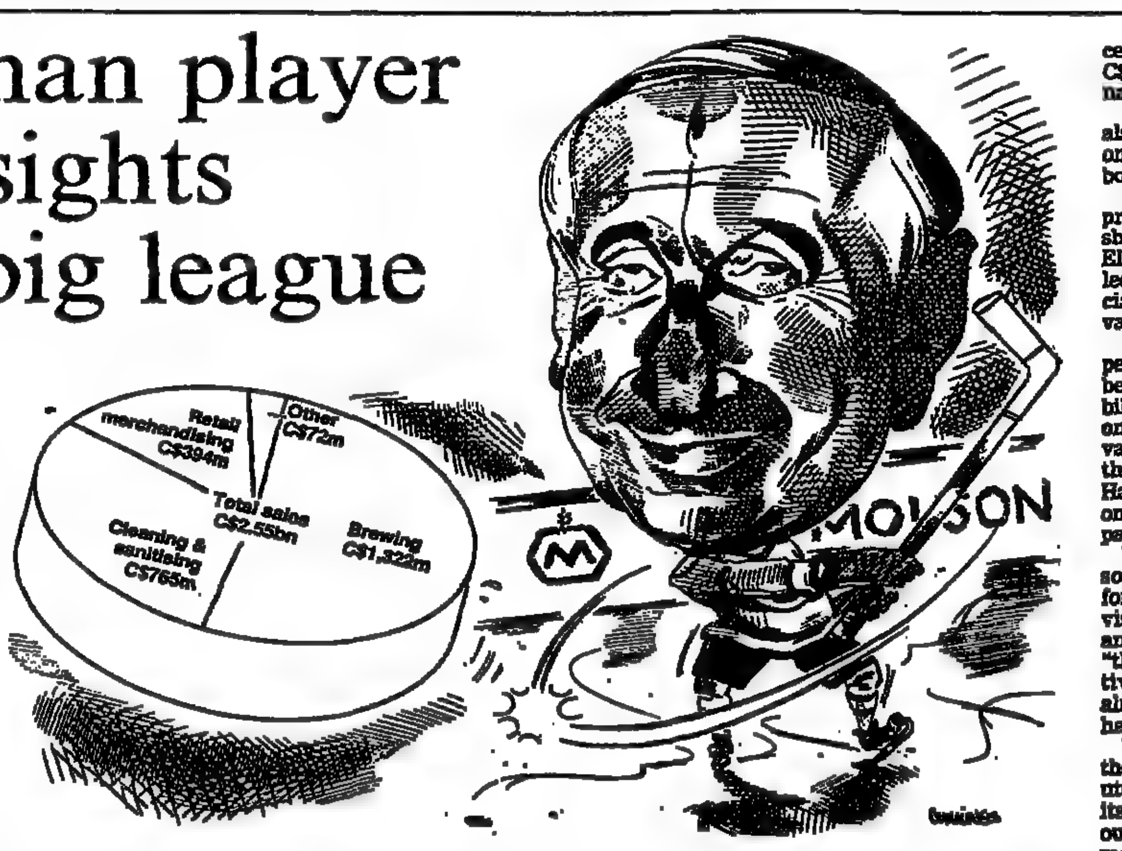
Reuters said North American revenue growth was restrained by a further decline in sales of trading room systems by its subsidiary, Rich, but information and transaction products sold well. Sales of trading room systems worldwide were excellent, in welcome contrast to last year.

The US shareholding in Reuters was now just under 48 per cent, compared with 46 per cent at the end of last year.

Lex, Page 14; Picture, Page 21

Gentleman player sets its sights on the big league

By Bernard Simon



'Sometimes aloof, sometimes jovial but always forceful': Mickey Cohen, head of Molson

IF THE pundits are correct, Molson Companies of Canada and Australia's Elders IXL are about to broaden their year-old brewing alliance.

A deal could give Molson a strong presence in a group linking its own brands with Fosters lager and Courage in the UK, along with the British Watneys and Truman lines which Elders may inherit.

It would come at a time when the debt-burdened Elders is undergoing a rapid contraction – in contrast both to the Melbourne company's swashbuckling expansion of previous years and to Molson's own two centuries or more as a dignified, even dull, symbol of old Anglo-Canadian money.

Molson and Elders are partners in Molson Breweries, Canada's biggest beer group and the third-largest supplier of imported beers to the US. It was created when Elders put Carling O'Keefe, then Canada's third-ranking brewer, into a joint venture with Molson.

Explaining a decision earlier this month to raise C$300m (US$260.86m) in new equity and debentures, Molson disclosed that it is in "preliminary discussions" for an acquisition which would "significantly expand its brewing interests beyond North America."

Molson's war chest also includes a C$800m credit facility with 33 banks arranged last year for its brewing business.

The company will not comment further on its intentions. But almost all outsiders assume that the focus is Elders, and specifically its Fosters beer business.

Elders is in the process of shedding its resources, agribusiness and other interests to become a producer purely of beer, at which point it intends to rename itself Fosters Brewing Group.

"One way or another, what Molson is after is a major shareholding in Fosters," says Mr Michael Palmer, drinks analyst at McCarthy Securities of Toronto. His scenario is that Molson will put its half of the North American venture into Fosters, in the process acquiring at least a large minority stake in the world's fourth-biggest brewer.

Given Elders' controlling interest in Courage, the big UK brewer, closer ties with the Australian group would accord with Molson's intention to make the UK its "primary target" for expansion outside North America.

Also, any deal would be likely to involve the brewing interests of Grand Metropolitan, if the British competition authorities sanction its proposed asset swap with Elders.

Under this GrandMet aims to hand over its Watneys, Truman, Ruddles and Websters operations in return for gaining management of the 8,500 Courage public houses.

The Monopolies and Mergers Commission is due to deliver its recommendation by August 21.

The link with Elders, even if it does not get that far, already reflects an important change in the character of the Canadian company.

Although the Molson family remains its controlling shareholder, a more vigorous management was ushered in at the end of 1988 with the appointment of Mr Mickey Cohen as chief executive.

Mr Cohen, 55, has had a remarkable career which has taken him to the top ranks of a profession (as a tax lawyer), of government (as deputy minister – the top civil service job – of the Department of Finance in Ottawa), and now of business.

Prior to joining Molson, Mr Cohen was for three years president of Olympia & York Enterprises, at the time the vehicle for the non-real estate investments of Toronto's famed Reichmann family.

Some of the changes he has made in his latest job have raised eyebrows, and none more so than aspects of Molson's relationship with Elders.

Besides the North American brewing partnership, Molson has sunk C$135m into Harlin Holdings, Elders' troubled holding company, including C$45.4m in equity (giving Molson a 6 per cent shareholding in Harlin) and C$90m in the form of a subordinated note.

The Canadian company has also provided a C$97m guarantee on a loan to Harlin, carried on its books as a contingent liability.

Molson acknowledged in the prospectus for its forthcoming share and debenture issue that Elders' financial troubles "have led to questions about the financial viability of Harlin and the value of the Harlin investment."

Dividends from Harlin's 55.8 per cent stake in Elders have not been enough to cover interest liabilities, and Harlin is in default on loan agreements because the value of its Elders holding is less than its borrowings. However, Harlin is believed to be drawing on lines of credit to meet interest payments.

Mr Cohen – sometimes aloof, sometimes jovial but always forceful – makes no secret of his vision for Molson. He told the annual meeting last month that "the Canadian market is a relatively small one, and we are already a large player in it. We have to create some elbow room."

His remarks apply not only to the beer business, which contributes two-thirds of Molson's profits and gets most attention from outsiders, but also its two other main subsidiaries – Diversey Corporation, a leading international supplier of cleaning equipment; and Beaver Lumber, a retail chain with a 12 per cent slice of Canada's building supplies and hardware market.

Molson also has a sports and entertainment division, whose assets include the Montreal Canadiens, one of North America's top ice hockey teams.

Mr Cohen has brought a new edge to Molson, reflected in ways such as a lower income tax rate and a management shake-up.

Elders' troubles are thus turning into not only an opportunity for the new-look Molson, but also a key test of Mr Cohen's mettle as a businessman.

As securities analyst Mr Palmer puts it: "The old Molson was stodgy, but unlikely to fall off a cliff. Now, there's a chance they'll fall off a cliff, but there's also a chance that they'll do extraordinarily well."

Bond may take legal action over BSB

By Raymond Snoddy in London

MR ALAN Bond, the financially troubled Australian businessman, is believed to be considering legal action against the shareholders of British Satellite Broadcasting, the satellite venture in which he was once the largest shareholder.

Mr Bond, who invested £154m ($280.28m) in the five-channel television venture, has written to shareholders expressing displeasure at their decision, announced yesterday, to end the period of grace in which he could sell his shares without suffering serious dilution of his stake.

The lapse of the period means, in effect, that Mr Bond has lost between £80m and £90m on his investment at a time when he is fighting for his financial survival.

BSB said its four main shareholders – Granada, Pearson (publisher of the Financial Times), Chargeurs and Reed International – had decided that no further extensions would be granted to enable a purchaser introduced by Bond Corporation to acquire shares in the consortium. Mr Bond, who once held 34 per cent of the venture, which launched its satellite service at the end of April, was given until the end of May to either take up his rights in a £900m financing package, sell his stake or see it diluted to 7.5 per cent.

Although technically the share dilution took place at the end of May, Mr Bond was given an extension to try to find a buyer from an agreed list of six potential purchasers.

Apart from expressing his displeasure, it is believed Mr Bond has warned the shareholders that he reserves his legal position. However, it was not clear last night whether rumours that Mr Bond planned to issue a writ against BSB shareholders were true. No writs had been received.

Mr Bond's anger is likely to centre on the fact that there were three serious potential purchasers of the Bond shareholding – Mr Robert Maxwell, publisher of Mirror Group Newspapers; Mr Michael Green, chairman of Carlton Communications; and Mr Conrad Black, chairman of the Daily Telegraph – yet none were willing or able to complete a deal.

Research into cable television viewing published by the Cable Authority at the weekend suggests that BSB has some catching up to do on its rival Mr Rupert Murdoch's Sky Television. The research carried out in May, the first month of BSB's national transmissions, showed Sky Movies and Sky One far ahead of the BSB channels in audience share.

INSIDE

Bad result hits Dow Chemicals stock

A 50 per cent plunge in net income at Dow Chemicals, the second biggest US chemicals group, took analysts and the stock market by surprise yesterday. Dow's second-quarter net income of $364m or $1.34 a share was significantly worse than analysts forecasts. The company's stock plummeted $6⅛ to $52 at mid-day yesterday in one of the steepest declines of the morning on the New York Stock Exchange. Page 18

Skoda seeks nuclear partner

Skoda, the big Czechoslovak engineering group and car maker, is looking for a western partner to help it bring Czechoslovakia's four nuclear power stations – two existing ones and two under construction – up to western safety standards. Since the beginning of the year, it has talked to leading producers of nuclear generating equipment including Westinghouse, Asea Brown-Boveri (ABB) and Siemens-Framatome. Leslie Colitt reports. Page 16

Hambros unveils bid for HATT

Hambros, the merchant banking group, has unveiled a recommended offer for Hambros Advanced Technology Trust valuing the specialised investment trust at some £24.5m. The offer was made as Hatt reported a doubling of pre-tax profits for the six months to March 31. Page 21

Downside of being number one

John Reed, chairman of America's leading commercial bank, Citicorp, has had a rotten six months. The group's total net income has nearly halved since the beginning of the year, hit by the mounting real estate crisis and a tumble in the group's corporate finance and investment banking profits. In the currently sluggish US economy, Citicorp has become a symbol of the depressing short-term earnings and asset quality outlook for the US banking community as a whole. Alan Friedman reports. Page 18

Iraqi sabre rattling and the price of oil

The spectre of Iraqi troops marching up to the disputed border with Kuwait will haunt the Opec ministerial meeting starting tomorrow in Geneva in which ministers must decide whether to keep or raise the reference price for a basket of Opec crudes. Iraq wants higher prices, whereas Kuwait does not. Steven Butler and Victor Mallet ask whether continued Iraqi pressure could change the balance of power within Opec in favour of the price hawks, leading to a period of significantly higher oil prices. Page 24

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)							
Falls				Coparex	600	+	19
BMW	588	–	6	Imetal	353	+	13
BHF-Bank	491.5	–	6.5	**Falls**			
Hapag Lloyd	452	–	8	Bancaire Cie	567	–	11
Horten	280	–	11	La Henin	601	–	19
Sud-Chemie	790	–	35	Nouvelle Gal	879	–	79
Volkswagen	601	–	8	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				[illegible] Bk.	1160	+	60
Halliburton	53¾	+	2½	Kanto Nat.Gas	2240	+	160
Suave Shoe	13⅞	+	2¼	**Falls**			
Falls				Asics	736	–	75
Dow Chem.	52½	–	5⅝	Sanko Eng.	1270	–	120
Ingersoll-Rand	53	–	4⅜	Shimura Kako	1310	–	100
Morgan Stanley	68	–	6½	Toyo Sanso	2130	–	210
Sallie Mae	46¾	–	3⅛				
PARIS (FFr)							
Rises							
Afrique Occ	500	+	17				

New York prices at 12.30.

LONDON (Pence)							
Rises				Water Pk Uts £	2258	+	65
BP	340	+	7	**Falls**			
Enterprise Oil	675	+	14	City Lon PR	48	–	8
Hambros Adv	117	+	8	Dalgety	358	–	8
H'thorn Leslie	16½	+	2½	Grand Met	647	–	13
Hunterprint	25	+	3	ICI	1125	–	13
LASMO	448	+	14	Pearson	762	–	23
MEPC	521	+	6	Reed Intl	433	–	32
N Sea Assets	29	+	7	Reuters	1045	–	184
Prudential	243	+	7	Rolls-Royce	218	–	6
Sedgwick	228	+	8	Sema	526	–	38
Severn Trent	210	+	6	Strong&Fisher	14	–	5
Shell Trans	489	+	7				
Utd News	365	+	13				

Morgan Stanley reports sharp drop in second quarter income

By Janet Bush in New York

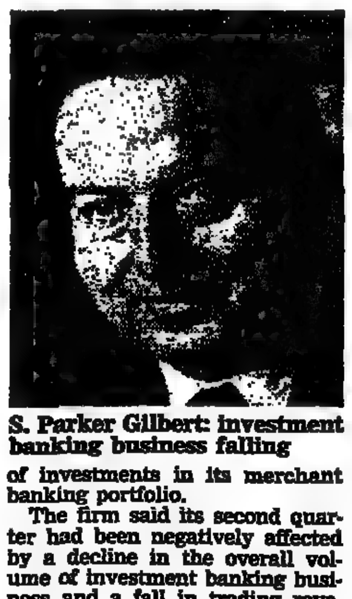
MORGAN Stanley, one of the leading Wall Street securities houses, yesterday reported that its net income had virtually halved in the second quarter compared with a year ago, largely due to sharply lower revenues from investment banking and trading.

Net income totalled $58m or $1.44 a share compared with $112.1m or $2.83 a share in the second quarter of 1989. Net income in the first quarter of this year was a healthy $82.1m. Total revenues in the second quarter dropped to $1.45bn from $1.52bn a year ago.

These results clearly disappointed investors, and Morgan Stanley's share price had fallen $4½ to $68 at midsession.

Under the chairmanship of Mr S. Parker Gilbert the company had a return on equity in 1989 of nearly 28 per cent compared with an industry average of scarcely 6 per cent, and has been widely regarded as one of a handful of Wall Street firms well-positioned for the competitive conditions of the 1990s.

Revenues in the second quarter last year included a pre-tax gain of $51.5m from the restructuring of investments in its merchant banking portfolio.



S. Parker Gilbert: investment banking business falling

The firm said its second quarter had been negatively affected by a decline in the overall volume of investment banking business and a fall in trading revenues, largely due to lower volatility in the foreign exchange market.

Investment banking revenues plunged to $166.1m in the second quarter compared with $226.4m a year ago and trading revenues fell to $201.6m from $226.5m.

Morgan Stanley said these declines were partially offset by gains in asset management revenues and equity commissions.

Salomon Brothers continued to score heavily from securities trading but its overall performance was once again undermined by significant losses from commodities trading.

The company earned net income of $120m in the second quarter, virtually the same as $119m in the first quarter but well below the record $253m in the second quarter of 1989.

However, in the first six months Salomon earned net income of $239m, a 6 per cent increase over the $225m in the same period a year earlier.

Salomon's flagship securities operation achieved pre-tax earnings of $211m in the second quarter compared with $218m in the first quarter and the record $364m earned in the second quarter of 1989.

This division earned $429m in the first half, the best performance ever and a 65 per cent jump over the $258m earned in the first half of last year.

ICL's ex-chief backs Fujitsu deal

By Alan Cane in London

DR ROBB Wilmot, the former managing director of the UK computer maker, ICL, and author of the technology deal with Fujitsu in 1981 which ensured its survival, has given powerful approval to the plan to sell STC's computer arm to the Japanese company.

He says the company would generate better profits than if it were left under the control of STC, which he believes has a cautious outlook out of place with the pace of the modern industry.

In an interview with the Financial Times today, he says that only a deal of that kind can guarantee ICL's survival, so dramatically has the computer industry changed over the past decade.

He reveals that a grand design to put together ICL, Nixdorf, the West German minicomputer manufacturer and Olivetti, the Italian office equipment supplier, to form a pan-European systems integration operation, foundered because the three groups could not agree details such as the nature of the merger and how control would be established.

Dr Wilmot departs from the conventional image of computer manufacturers' spending huge amounts on research and development to become lowest cost producers. He says computer makers must be transformed through research and development into systems integrators able to solve customers needs through sophisticated software tools and techniques.

Interview, Page 23

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France signs $4bn deal to sell power to Spain

By Tom Burns in Madrid

FRANCE will supply Spain with up to 1,000MW of electricity midway through the 1990s under a Pta400bn ($4bn) deal signed between Electricité de France (EdF) and Red Electrica Espanola (Redesa), the state-controlled operator of Spain's high voltage network, officials in Madrid said yesterday.

The import agreement, which was signed in advance of a national energy plan expected to go before the Spanish parliament later this year, is the first important step that the Madrid Government has taken towards meeting a projected 7,500MW capacity deficit at the end of the century.

Hitherto EdF had exported small amounts of its surplus power to Spain to make up for temporary shortages south of the Pyrenees.

The decision to import in bulk from France casts further doubt on the possibility that the new energy plan will end a 1984 moratorium on nuclear power. This resulted in the mothballing of five plants which were at the time under various stages of construction.

The private electrical utilities are pressuring the Industry Ministry to allow at least one unit of the giant Valdecaballeros nuclear project in Extremadura, which is all but completed, to come on stream, but the issue has become extremely sensitive in Spanish politics.

Officials said that Mr Claudio Aranzadi, Industry Minister, was considering further agreements to step up energy imports. Analysts say these would be necessary if the 2,000MW Valdecaballeros plant is finally shelved.

The Redesa-EdF agreement, under which Spain's public sector will distribute the power, apparently forestalls the French company's ability to sell directly to Spanish users in the mid-term after 1992 when, theoretically, power supply markets should be liberalised.

Meanwhile, EdF announced that it will buy three uranium mines from the US group Pinnacle West Capital, Reuter reports. EdF will collaborate with Total-Compagnie Française des Petroles to exploit the mines. EdF said the two groups are currently holding talks on combining their mining activities in the US, but declined to give further details.

EdF will acquire the mines, with reserves of around 15,000 tonnes, through its fully-owned subsidiary Fuel International Trading Corp. No financial details were immediately available.

Bosch set to buy 50% of Novatel

By Robert Gibbens in Montreal

ROBERT BOSCH, the privately-owned West German vehicle parts group, is buying 50 per cent of Calgary-based Novatel Communications, Canada's only maker of cellular telephone systems.

The seller is Alberta Government Telephones, which operates the Alberta telephone system. AGT did not disclose the terms and would not comment on reports that the value of the deal may be around C$150m (US$96m).

Novatel has two plants in Alberta. It was set up in 1983 as a 50-50 joint venture between AGT and Nova, the Calgary energy and petrochemicals group, and it has won 20 per cent of the North American cellular phone market and built a strong presence in Britain. Annual sales are now more than C$300m.

Last year AGT bought out Nova's 50 per cent interest for C$60m. Since then AGT has been looking for an international partner and has been negotiating with Bosch for several months.

AGT said the deal would strengthen Novatel in world markets and speed up Bosch's entry into the cellular phone market. Bosch, which sees cellular phones eventually in every car, may transfer its cellular phone research to Novatel in Calgary.

AGT is being privatised by the Alberta Government through public share offerings beginning this summer.

AGT was advised on the Novatel deal by S.G. Warburg.

● Northern Telecom, the big Canadian telecommunications equipment group, boosted second-quarter net earnings to US$95.7m or 37 cents a share from US$75.3m or 29 cents a year earlier, and reiterated predictions that its 1990 net would be stronger than the US$354.1m earned in 1989, Reuters reports.

Second-quarter revenues rose to US$1.70bn from US$1.52bn. For the first six months, net profits jumped from US$127.9m or 49 cents a share to US$174.8m or 67 cents, as revenues advanced from US$2.9bn to US$3.27bn.

Estate Mortgage trusts warning

By Kevin Brown in Sydney

ABOUT 10 per cent of the 60,000 investors in Australia's crashed Estate Mortgage property trusts may recover as little as four cents in the dollar, a creditors' meeting was told yesterday.

The forecast, provided by Macquarie Investment Management, a management company installed after the crash by Burns Philp, the trustee company, is significantly lower than the estimate of 26 cents indicated in an earlier report by KPMG Peat Marwick, the accountants.

However, Macquarie said many investors were likely to recover much larger sums. Estate Mortgage operated six trusts, all with different liabilities and assets.

The trusts were frozen after government intervention in April because of liquidity problems. They are the largest of their kind in Australia with assets of A$920m ($720m) before provisions for bad debts, and deposits of around A$640m.

Many of the depositors are elderly people who were attracted by Estate Mortgage's advertising, which stressed the safety of investments.

One elderly woman told yesterday's meeting that she and her husband had invested A$120,000 in the worst affected trust.

Mr Peter McGovern, a director of Macquarie Investment Management, said there had been no clear rationale behind Estate Mortgage's borrowing record, and its credit risk assessment had been inadequate.

Estate Mortgage was the first of a number of non-bank Australian financial institutions to run into trouble. The privately-owned Farrow Corporation building societies group has since closed, and three other property trusts have suspended unit redemption arrangements.

Sapporo first-half earnings up 2.3%

SAPPORO Breweries, Japan's second largest beer brewer, edged up pre-tax earnings 2.3 per cent in the first half to Y5.69bn ($38.2m), AP-DJ reports from Tokyo.

Net profit went up faster, climbing 17.7 per cent to Y2.83bn, reflecting a cut in extraordinary losses. Sales amounted to Y220.3bn, up 2.5 per cent.

Sapporo officials said demand for beer in the domestic market expanded by around 8 per cent as a result of the introduction of new products. Beer sales came to Y202.2bn, up 4 per cent. Those of soft drinks slipped 5 per cent to Y9.71bn.

Exports rose 21 per cent to Y1.13bn. In an attempt to promote sales in Europe, Sapporo has established a representative office in Paris.

With strong summer demand, Sapporo expects pre-tax earnings for the full year to rise 20.7 per cent to Y9bn. Net profit is seen, however, plunging to about Y4.5bn from Y8.45bn in 1989 when the company reported extraordinary gains of some Y8bn from the sale of property.

Skoda eyes up Western suitors

Leslie Colitt examines the Czech nuclear energy programme

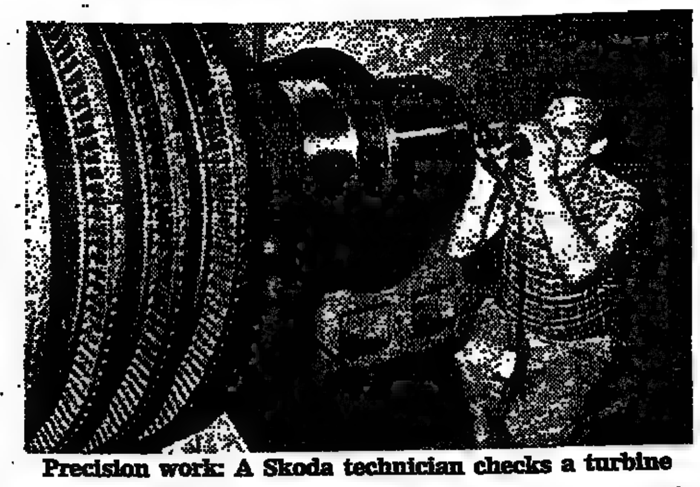
SKODA, the giant Czechoslovak engineering group and car manufacturer, was once proud to be the only East European company producing nuclear reactors under licence from the Soviet Union.

But now it is trying to forget the past and to salvage what it can from the wreckage of an over-ambitious nuclear energy programme. Scarcely a day passes without revelations about serious defects in the Soviet-designed reactors and other equipment.

The newly elected Czechoslovak Government regards the modernisation of existing and planned nuclear power stations as a top priority. But this can only be done with the help of leading Western producers of nuclear generating equipment.

They have been talking with Skoda since early this year about bringing Czechoslovakia's four nuclear power stations – two existing ones and two under construction – up to Western safety standards.

Skoda and the Western companies – Siemens and its joint-venture nuclear partner, Framatome, Westinghouse and Asea Brown-Boveri (ABB) – are also deep in talks about co-operating in conventional power generation in which Skoda has been a leading international force for decades.



Precision work: A Skoda technician checks a turbine

Mr Milan Skokan, director of Skoda's power generating division, said a decision on the Western partner would be taken by a committee in the next few months. The company which offered Skoda the widest co-operation in building conventional power stations was likely to be the one which would clinch the deal to modernise the nuclear plants.

Siemens-Framatome and Westinghouse were the most serious contenders, he explained, as ABB used boiling water-type reactors, "like the ones at Chernobyl but without the graphite," which could not be used in Czechoslovakia. "I told them you have little chance, but submit a proposal anyway," he said in an interview.

Some of the Western companies promised to buy from Skoda but others were only interested in the nuclear plants, Mr Skokan disclosed. While the instrumentation and control systems for the nuclear facilities would have to come from the Western partner, Skoda produced as good turbines, steam generators and valves as anyone, he remarked. "Eighty per cent of a nuclear power plant could be supplied by us," he noted.

Co-operation with a Western company could take the form of a joint venture or direct investment in Skoda. Since last April, the former state-owned concern, a national company even before the Second World War, hived off its eight divisions as independent state companies. Within the next six months, they hope to "re-integrate" the divisions within a holding company in which the Western partner could then take a share, Mr Skokan suggested.

A long-serving director of the power unit, Mr Skokan noted that Mr Vaclav Klaus, the new Czechoslovak Finance Minister, had warned the company that the Government would no longer make up its losses incurred in producing nuclear equipment.

Mr Skokan noted that the Government, however, could not simply allow the power division, with its more than 4,000 skilled engineers and technicians, to collapse. Perhaps Skoda could qualify for a five-year loan. "We'll pay it back," he added cheerfully.

Although the power-generating division still contributed 20 per cent to total Skoda turnover, its rabbit-warren offices were strewn uneconomically throughout Prague. "What we need is an office building," Mr Skokan said longingly.

Fiat and Toyota consider venture

FIAT, the Italian motors and industrial group, has confirmed it is in talks with Nippondenso, Japan's biggest manufacturer of electronic auto components, on a joint venture to produce 500,000 car air conditioning units a year in Europe, writes Haig Simonian in Milan.

The plant may well be located in the UK, where both Nippondenso and Toyota, its parent company, are active. In November Nippondenso bought IMI Radiators, the UK's last large independent manufacturer of car radiators, while Toyota plans a new car plant in the Midlands.

This venture, which would be the first link between Fiat, via its Magneti Marelli subsidiary, and the Toyota group, reflects the current boom in demand in continental Europe for car air conditioning.

KLM warns of pressure as stake in hotels is sold

By Ronald van de Krol in Amsterdam

KLM Royal Dutch Airlines, which earlier this year reported a 9 per cent fall in 1989/90 net profit, warned yesterday that its results would remain under pressure due to currency movements and high fuel prices, among other factors.

The airline also said it had sold a 75 per cent stake in Golden Tulip International, its hotel management subsidiary, to Ravast Beheer, a Dutch property investment and financing company. KLM intends to retain a 25 per cent interest in Golden Tulip and to continue to help market the chain.

Mr Jan de Soet, president of KLM, said at a press conference that although full-year results were impossible to predict, short-term expectations for results were "moderate."

With key currencies such as the dollar, the yen and sterling now 10 per cent to 20 per cent below their levels a year ago, KLM's costs were currently rising faster than its revenues, he said, adding that long-term prospects were good.

KLM is due to release first-quarter figures on August 16. In the fiscal year ended March 31, after-tax profits on normal business activities plummetted to Fl 156m ($84.8m) from Fl 374m a year earlier. Net profits fell less steeply – by 9 per cent to Fl 340m – due to extraordinary items.

Mr Peter Alberda van Ekenstein, KLM's finance director, said the Golden Tulip transaction would produce a book profit of Fl 5m.

BASF targets plastics unit

BASF, the West German chemical company, said yesterday it wants to buy an East German plastics company, Synthesewerk Schwarzheide, with a turnover of around DM600m ($365m), writes Andrew Fisher.

It has told the Treuhandanstalt, the East German organisation which will decide the future of the state-owned companies, that it would like to buy Schwarzheide this year.

BASF said it was prepared to make "considerable investments" of several hundred million D-Marks in the East German company's production facilities and infrastructure. But an important condition for its involvement would be a rapid solution to the environmental problems at Schwarzheide, south of Berlin.

The Schwarzheide company makes polyurethane products and elastomers.

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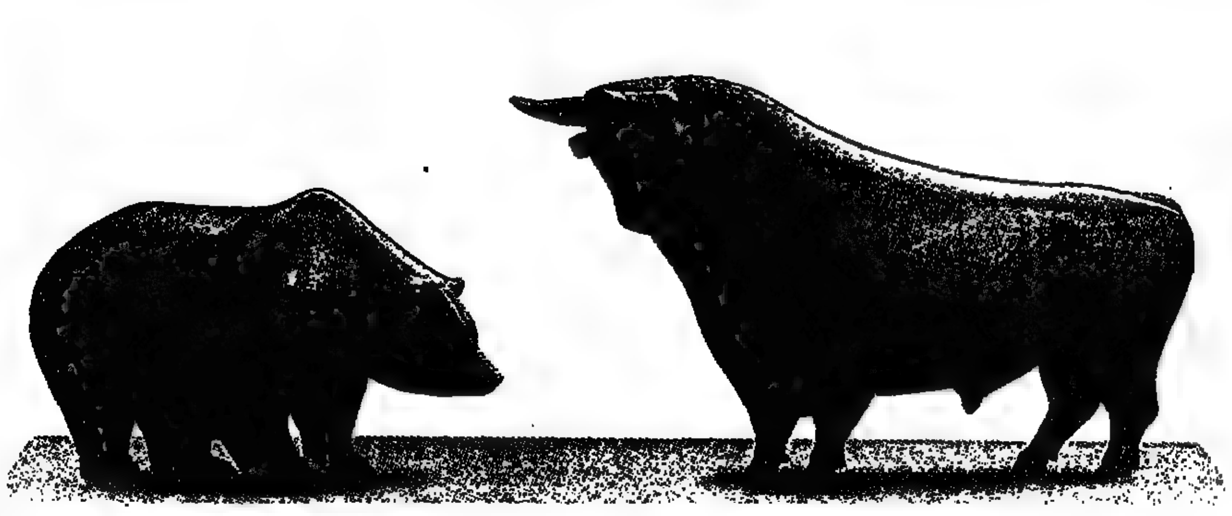

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Dow Chemicals posts surprise fall

By Karen Zagor in New York

DOW CHEMICALS, the second biggest US chemicals group, yesterday surprised analysts and the stock market by posting second-quarter earnings that were significantly worse than expected.

For the three months ended June 30, Dow's net income plunged 50 per cent to $364m, or $1.34 a share, from $728m or $2.70 a year earlier, although sales in the 1990 second quarter grew 5 per cent to $4.81bn from $4.6bn.

Wall Street was not prepared for the magnitude of Dow's loss, with most analysts forecasting second-quarter earnings of more than $1.65 a share, and the company's stock plummeted $6⅛ to $52 at midday yesterday in one of the steepest declines of the morning on the New York Stock Exchange.

The weakened state of the world chemicals industry has taken its toll on the earnings of the big US chemical companies, and Dow had earlier warned that its 1990 profits would not match the previous year's, but confidence in Dow's management had led some analysts to be more bullish about Dow than some of its competitors.

Mr Enrique Falla, Dow's financial vice-president, attributed the lower-than-expected earnings to a fall in prices and higher costs, exacerbated by plant stopages and compressed margins.

He added that second-quarter volume was flat compared with the first quarter. This was unexpected, since the second quarter is traditionally Dow's strongest.

Furthermore, anticipated price increases did not materialise in the second quarter and overall pricing levels slipped from the first quarter and from last year.

Sales from Dow's chemicals and performance products business fell 12 per cent to $1.2bn in the quarter while operating income dropped 63 per cent to $177m, which the company attributed to unexpected chlor-alkali plant outages in Canada and Brazil and declining demand for chlorinated solvents.

Dow's plastics operations saw operating income plunge 40 per cent to $279m on sales which fell 3 per cent to $1.8bn in the quarter.

Mr John Garcia, a chemicals industry analyst at Wertheim Schroder in New York, said Dow's exposure to chlor-alkaline chemicals has made the company vulnerable to falling prices as demand for chlorinated solvents drops, in part because of the ban on chloroflurocarbons (CFCs).

Looking ahead to next year, Mr Falla said "assuming a gradually improving global economy and stable margins in the ethylene chain, Dow is positioned for improved earnings."

However, analysts pointed to increasing supply in ethylene, where expansion is continuing unabated. "Margins will not hold up," said Ms Pat O'Brien, a chemicals industry analyst at Anatha Raman, a New Jersey brokerage firm.

Ms O'Brien expects Dow to post earnings of about $5.55 a share for 1990 and about $4.55 in 1991.

For the first half, Dow had net income of $826m or $3.05 a share on sales of $9.71bn against net earnings of $1.47bn or $5.42 a 78 share on sales of $9.09bn a year earlier.

Poor sales push Zenith to net loss of $11.2m

By Roderick Oram in New York

ZENITH Electronics, the sole surviving US-owned maker of colour televisions, has reported heavier losses reflecting weaker demand which led to falling sales.

The net loss for the second quarter ended June 30 of $11.2m, or 42 cents a share was far worse than analysts had expected.

A year earlier it had a loss of $5.2m from continuing operations and a loss of $13m, or 49 cents a share, including discontinued operations.

Sales fell to $334.1m in the quarter from $385.2m a year earlier. Of the total, consumer electronics products such as televisions fell 13 per cent to $286m from $328m.

Lower demand was an industry-wide problem, compounded by weaker prices, Zenith said. Sales of components slipped to $48m from $57m mainly because of lower monochrome monitor shipments.

Late last year the company sold off its computer business to Groupe Bull of France for just over $500m.

Although computers were stronger than televisions for Zenith, the company could find no buyers for the latter business.

It used most of the proceeds of the sale to pay down debt while investing the rest on televisions.

Zenith is spending heavily on a high definition system which is the next generation of television technology – a further $3m was spent during the quarter – while projects to develop high resolution television screens and broadcast systems "continued to advance on schedule."

While both projects are considered promising by analysts, the company faces many obstacles to getting its system chosen as the US standard for high definition television. Even if it does, little reward is expected before 1992.

For the first half, Chicago-based Zenith reported a net loss of $26.2m, or 98 cents a share, against losses of $11.5m from continuing operations and $17m including discontinued ones a year earlier. Revenues fell to $689.8m from $728.9m.

Mobil ahead at $498m as Texaco declines to $353m

By Roderick Oram

US OIL companies continued to turn in mixed second-quarter results, although many of them benefited from an upturn in their downstream refined products operations.

Mobil, the second largest US oil group after Exxon, reported net profits for the quarter of $498m, or $1.19 a share, against $401m, or 98 cents a year earlier.

Revenues, reflecting in part lower crude oil prices, slipped to $13.82bn from $14.03bn.

The latest quarter included a $182m gain from the sale of a 5 per cent interest in the North Sea Beryl Field and sale of downstream operations in Italy.

This was partially offset by a charge of $112m for environmental clean up at certain US sites.

The year-earlier period included a $140m loss on the sale of South African operations.

First-half net was $898m, or $2.13a share, against $2.02. Excluding special items, the net was $856m against $970m a year earlier, reflecting mainly a sharp downturn in petrochemicals.

Revenues were $28.85bn compared with $28.05bn.

Texaco reported second quarter net earnings of $353m, or $1.26 a share, against $366m, or $1.39, a year earlier.

First-half net was $681m, or $2.41, against $1.82bn, or $7.19, after a $1.19bn gain mainly from the sale of its Canadian subsidiary.

Revenues rose to $8.7bn in the quarter thanks to higher volumes from $8.4bn a year earlier.

Higher volumes and prices made first-half sales $17.9bn against $18.1bn a year earlier, including a contribution from Texaco Canada.

In the US, downstream activities turned in operating profits of $171m for the quarter, compared with $79m a year earlier. Profits from exploration and production, however, slipped to $66m from $168m.

Downstream operations abroad earned $157m against $130m, while upstream operations earned $67m against $52m.

Petrochemicals fell to $24m from $81m in the US and to $6m from $7m abroad.

Sears hit by big losses in insurance

By Barbara Durr in New York

SEARS, ROEBUCK, the world's largest retailer, reported a disappointing net income for the second quarter of $237.9m, or 69 cents per share, from continuing operations compared with $334.9m or 95 cents per share for the same period a year ago.

Higher than expected underwriting losses in its Allstate insurance division and a poor performance by its merchandising group depressed results.

By comparison with the second quarter of 1989, the company looked even less robust given that during that period discontinued operations brought up the net income to $391.2m, or $1.11 per share. Sears sold Allstate's life insurance segment and its Coldwell Banker Real Estate Group's commercial real estate business.

The merchandising group, which had been counting on its new strategy – including "power formats," low pricing policies and addition of brand names – to perk up performance, instead turned in second-quarter income of just $110m compared to $161.6m in 1989.

Total sales for the period were $7.88bn, down from $7.71bn last year.

Allstate Insurance Group, which was hit with property-liability claims from California fires and Denver hailstorms, reported a second-quarter income of $142.2m, compared with $199.8m a year ago. Average premiums continued to grow at a slower rate than losses.

Dean Witter Financial Services had a second-quarter income of $58.2m, up from $44.5m in 1989. Dean Witter was boosted by the company's Discover Card operations, which contributed income of $24.4m compared with $16.6m. Its securities business was flat, with income in the second quarter of $32.4m compared with $32.1m last year.

PepsiCo shows strong growth

By Martin Dickson in New York

PEPSICO, the US soft drinks manufacturer, yesterday announced a 10 per cent rise in second-quarter net income, powered by strong growth in all of its three business areas.

The company, which has become one of the US stock market's most favoured shares because of its strong earnings record and growth outlook, said net income totalled $292.5m, or $1.10 a share, on sales of $4.2bn, compared to income of $264.9m, or $1 a share, on sales of $3.59bn in the same period of last year.

This boosted net income for the *half*-year to $474.4m or $1.78 a share from $430m or $1.62 in the corresponding period of 1989, on sales of $7.88bn compared with $6.55bn previously

The company said that excluding the one-time impact of write-offs and credits, second-quarter earnings per share jumped 19 per cent.

Mr Wayne Calloway, the chairman, said the quarter had seen continued volume gains across all the company's three segments, as well as operating margin improvements in its soft drinks business, at the Frito-Lay snacks operation and Kentucky Fried Chicken fast food outlets.

Soft drinks sales rose 8 per cent to $1.6bn, while operating profits were 15 per cent ahead at $237.7m, excluding the effect of one-time items.

US soft drink sales rose 5 per cent and operating profits by 12 per cent, with the volume gain driven mainly by double-digit growth for Diet Pepsi. International soft drink sales were up 28 per cent and operating profits, excluding special items, were up by 29 per cent.

The snacks food business saw an 18 per cent jump in operating profits to $226.2m, while sales rose 24 per cent to $1.2bn. The company said that, excluding one-time items and the impact of last year's acquisition of the Smiths and Walkers snacks business in the UK, sales and operating profits both rose 12 per cent.

PepsiCo's restaurants business produced a 25 per cent increase in operating profits, to $137.6m, on sales which were 22 per cent ahead at $1.4bn, excluding a reorganisation charge last year.

Profits were 44 per cent ahead internationally, and 23 per cent in the US.

Smith Corona $1.5m in the red

By Martin Dickson

SMITH CORONA, the US manufacturer of portable typewriters which has been hit by a sharp American market downturn and fierce price competition, yesterday announced a fourth-quarter net loss of $1.5m.

Smith Corona is 48 per cent owned by Hanson of the UK, which sold off a majority stake in the company to US investors a year ago, shortly before the market showed signs of softening. The company's shares, floated at $21, have fallen sharply and yesterday at midday stood at $5, up $¼.

The fourth-quarter loss compared with a loss of $3.1m on a pro forma basis in the same period of last year, and the loss per share was 5 cents compared to 10 cents a year ago, when the figures included a 48 cents charge for an executive performance plan which has since been discontinued. Sales were $79.8m, down from $112.4m.

Smith Corona warned the market earlier this month that it would make a small loss for the quarter, when it also said it would be cutting its dividend.

Mr Lee Thompson, the chairman, said yesterday the loss was attributable to charges for inventory write-downs and non-recurring provisions for expense reductions, partly offset by a change in the tax charge. Without these adjustments, operating income would have been some $3.7m and net income about $1.3m, or 4 cents a share.

The inventory write-down primarily involves electronic reference products, which include features such as dictionaries and a thesaurus. The company has also cut costs by laying off some 350 workers at its plant in Cortland, New York state.

A spokeswoman said that despite the drop in sales, the company had been maintaining its US market share, which is put at about 55 per cent. Mr Thompson said the company's international business "exceeded our operating plan for the year and has continued to show excellent growth."

For the full year, net income was $32.9m, or $1.09 a share, on revenues of $471.4m, compared to 1989 pro forma income of $35.3m, or $1.17 a share, on revenues of $493.1m. The 1989 figures included a 63 cents charge for the executive performance plan.

Control Data back in the black

By Roderick Oram

CONTROL Data, the computer equipment and services group, returned to a modest profit in the second quarter from a huge loss a year earlier due partly to restructuring costs.

Net profits for the three months ended June were $11.2m, or 26 cents a share, against a net loss of $497.3m, or $1.79, after pre-tax restructuring costs of $476m a year earlier.

Revenues were halved to $405.6m from $804.3m, reflecting the sale or discontinuation of several businesses, most notably its Imprimis disk-drive operation and a third-party maintenance service.

Control Data has posted large losses in all but one of the past five years, battered by adverse conditions and undermined by poor strategic choices. The closure or sale of many of its businesses whittled down revenues from a peak of $5.03bn in 1984.

The first-half net profit was $18m, or 42 cents, against a net loss of $493.8m, or $11.75, after the restructuring costs. Revenues were $827.2m against $1.65bn. Analysts believe it could report net profits approaching $55m, or $1.25 a share, this year.

"There is great value in Control Data, but a lot of work must be done to unlock it," said Mr Lawrence Perlman, president and chief executive. "Each of our businesses is capable of performing better."

Its computer products division was profitable in the second quarter as it embarked on a new strategy. "But the real test of that strategy will come in the latter half of the year," said Mr William Miller, chief financial officer.

Loral partnership wins Ford Aerospace

By Roderick Oram

FORD MOTOR is to sell its aerospace division to a partnership of Loral, a US defence electronics group, and merchant banking partnerships led by Shearson Lehman Hutton, the Wall Street investment bank.

They beat two other teams – Aerospatiale, the French aerospace group, and Carlyle Group, a US merchant bank; and General Motors' Hughes Aircraft division and Alcatel, the European telecommunications group owned by Compagnie Générale d'Electricité of France and ITT of the US.

Ford and Loral declined to disclose the purchase price. All three bids were reportedly close at between $700m and $800m in cash plus the assumption of Ford Aerospace debts for a total of close to $1.5bn.

A combination of Loral and Ford Aerospace would become the 19th largest prime contractor for US military equipment, Ford said.

"Loral's offer was the best financially and meets all of our requirements," said Mr Harold Poling, Ford Motor's chairman.

Ford's main goal was to sell the division intact.

Loral is a low-profile New York company which reported net profits of $84.1m on sales of $1.27bn last year.

It derived 85 per cent of its sales from the US Government and the rest from foreign governments. It has expanded over the past three years by buying defence divisions of Goodyear Tire & Rubber, Fairchild and Honeywell.

Loral and merchant banking partnerships of Shearson will each put up $150m of equity and fund the rest of the purchase with Loral's bank borrowing.

Ford has disclosed little about its aerospace division, whose wide range of products includes satellites. It won orders worth $1.8bn last year, taking its backlog to some $2bn, and is thought to have annual sales of about $2.5bn. It employs about 17,000 people.

Second-quarter slump hurts Canada's giants

By Robert Gibbens in Montreal

A RECESSIONARY domestic economy and depressed world oil prices showed up dramatically in the second-quarter results of many leading Canadian corporations.

● Stelco, the country's second biggest steelmaker, reported earnings of C$6.4m (US$5.5m), or 8 cents a share, down 77 per cent from a year earlier. Revenues were C$714m against C$756m.

In the first half Stelco lost C$7m against a profit of C$60.6m or C$1.51 a share a year earlier on revenues of C$1.35bn, down 9 per cent. Stelco is expected to show a loss for all 1990, because of slow domestic demand, the high Canadian dollar, and high interest rates. Also the company faces a possible strike within the next few weeks.

● Imperial Oil, Canada's largest integrated oil company which is controlled by US oil group Exxon, had one of its worst quarters ever because of low oil prices and technical problems at the big Syncrude heavy oil plant in Alberta.

Second-quarter profit from operations was C$16m or 8 cents a share, down 86 per cent from a year earlier. First-half profit was C$75m or 39 cents a share, down 68 per cent.

However, after including asset sales required to gain government approval of its C$5.5bn takeover of Texaco Canada last year, Imperial posted final second quarter earnings of C$238m or C$1.25 a share, against C$144m or 84 cents a year earlier, and first-half profit of C$388m or C$2.04 a share against C$257m or C$1.52. Asset sales are expected to slow in the second half.

● Montreal Trustco, the financial services arm of BCE, had first-half earnings of C$36m, or 84 cents a share, down 5 per cent from C$37.9m or 91 cents a year earlier. Fee income was strong but real estate revenues were depressed by high interest rates. Assets grew 10 per cent to C$11.5bn.

● Repap Enterprises, North America's second largest coated paper producer, earned C$7.7m or 15 cents a share in the first half, down from C$46.8m or 90 cents a share a year earlier. Revenues rose 12 per cent to C$599m. Coated paper shipments were higher, but outside sales of pulp declined and prices were soft.

● Canadian Marconi, a big defence electronics group, earned C$2.3m or 10 cents a share in the first quarter ended June 30, down from C$5.5m or 23 cents a year earlier, on revenues of C$70m, down 14 per cent. The high Canadian dollar was a big factor since most production is exported to the US.

Union Carbide net income plunges 38%

UNION CARBIDE, a leading US chemicals group, has posted a 38 per cent drop in second-quarter net income to $116m, or 81 cents a share, from $186m or $1.33 a year earlier, writes Karen Zagor.

Extraordinary items in the 1990 quarter contributed 8 cents a share to the company's earnings. Sales fell 6 per cent to $2.15bn from $2.29bn.

For the first six months, Union Carbide's net income plunged 46 per cent to $210m, or $1.47 a share, from $387m, or $2.76 a share, on sales which fell 5 per cent to $4.31bn from $4.52bn.

Operating profits from the company's chemicals and plastics operations dropped 39 per cent in the quarter to $172m from $232m. The business has been hit by reduced margins in ethylene glycol.

Computer Associates disappoints

COMPUTER Associates International, the leading maker of software for mainframe computers, has reported a sharp drop in revenues in line with the forecast it made two weeks ago that stunned its shareholders, writes Roderick Oram.

Revenues fell 16 per cent to $255.1m in its fiscal first quarter ended June 30, from $303.2m a year earlier. Before the company's dramatic announcement Wall Street had expected it to report revenues of at least $315m, continuing its rapid growth of the past decade.

Its share price had almost halved from $16.50 immediately before the announcement two weeks ago.It picked up $¼ to $8⅞ yesterday morning after the release of the results.

Mr Anthony Wang, president, said part of the blame for the decline lay with the time its sales force had spent explaining the company's new software strategy to customers. In April it launched a new architecture called CA90s designed to unify its myriad of software products.

In spite of the shortfall in revenues, net profits only dropped to $3.6m, or 2 cents a share, from $10.7m, or 6 cents.

"If there is a positive indication in all this, Computer Associates was able to be profitable on such low revenues," said Mr Terence Quinn, an analyst with Kidder Peabody.

The company has "a large backlog of business it failed to close in the first quarter," according to Mr Quinn. If it can land those and other orders and cut costs as planned, then the company's performance should improve markedly.

But with shareholders still reeling from the halving of its share price, "credibility and confidence in the company are at a very low ebb," he added.

The company said yesterday that shareholders had launched several class action lawsuits alleging it and certain of its officials made misleading statements about its prospects before it warned its revenues would fall.

Bankers Trust steady despite loan write-offs

By Janet Bush in New York

BANKERS Trust, the fifth largest US bank, has reported virtually unchanged net income in the second quarter compared with the same period a year ago, despite large write-offs of its loans to Brazil and Argentina ordered by the US Government.

The bank earned net income of $174m compared with $174m in the second quarter of 1989, but earnings per share fell by 4 per cent to $2.14 a share from $2.06. The bank's average return on equity was 29 per cent compared with 20 per cent a year ago.

The resilience of its earnings, despite the write-offs and a drop in corporate finance revenues, derived from a large jump in trading revenues and a strong performance by the bank's trust and custodian business.

Trading revenues totalled $243m, up $50m from the second quarter last year, and trust and custodian revenues rose 13 per cent to $106m.

Corporate finance revenues were down 16 per cent from the same quarter last year at $80m. However, the bank said it was seeing a slight strengthening of its corporate finance deal flow.

The bank wrote off $157m during the quarter against $91m a year ago, of which $129m was refinancing country loans.

The bulk of country loan write-offs was due to the US Government's request earlier this month that commercial banks write off more of their loans to Brazil and Argentina.

Apart from loans to lesser developed countries, Bankers Trust wrote off $28m, including $15m of loans to highly leveraged borrowers.

Gloomy outlook for America's top commercial bank

Alan Friedman reports on Citicorp's problems which illustrate those of the troubled US banking sector

IT'S NOT EASY being Number One. Citicorp may be the leading US commercial bank with $230bn of assets, but in the present sluggish US economy the New York-based institution is also a symbol of the depressing short-term earnings and asset quality outlook for the American banking community.

Second-quarter earnings figures from the big US banks have, with few exceptions, made for gloomy reading. Prospects for the rest of the year look poor.

Citicorp's own second-quarter net income fell 37 per cent because of the mounting real estate crisis and a 69 per cent tumble in corporate finance and investment banking profits. For the first half of 1990 Citicorp's total net income was nearly halved, to $479m.

A few years ago, in the heady late 1980s, Citicorp was proud to be the largest single commercial real estate lender in the nation. Now, given a $400m leap in non-performing real estate loans since the start of 1990, the non-performing quotient of Citicorp's real estate $12.6bn loan portfolio equals a distinctly unhealthy 12.7 per cent.

As recently as a year or two ago, when highly leveraged transactions were still fuelled by fee-hungry investment bankers and the short-sighted greed of junk bond pushers, Citicorp's corporate finance division was a major player.

Now, as the lower size and number of mergers and acquisitions sputter along with the new realism of the 1990s, Citicorp has admitted that its operating expenses in the global finance division are out of control. So are the division's carrying costs on problem loans, which jumped to $501m for the first half of 1990, more than three times the $149m figure for the first six months of last year.

Last week Mr Thomas Jones, the Welsh-born Citicorp executive in charge of financial control, faced a gathering of Wall Street analysts and offered them a *mea culpa:* "We don't have many excuses. Expenses are going up too much for the level of activities today," he said, adding: "We recognise the problem and we are going to do something about it."

For Mr John Reed, the Citicorp chairman who pioneered the successful push into technology-driven retail banking, the first six months of 1990 have been absolutely rotten.

Mr Reed's gamble on retail banking in the 1980s has indeed been successful and this business provides 61 per cent of core earnings. Yet without the retail profits to subsidise problems in the global finance, cross-border and information services divisions, Citicorp would be in genuine trouble.

Once the boy wonder of American banking, the 51-year-old Mr Reed is now presiding over a corporate soul-searching exercise that comes in the wake of downgradings of his bank's credit rating, the humbling closure of the Citicorp Scrimgeour Vickers securities business in London, a withdrawal from municipal bond underwriting, the slump in net income, criticism that the bank is undercapitalised and the admission by his own chief financial officer that it is too early to know whether the slumping real estate sector has even bottomed out.

Last Friday Citicorp was forced to follow the lead of Chase Manhattan and Manufacturers Hanover Trust – two other money centre banks suffering from the real estate crisis and bloated overheads in corporate lending – and announce a series of measures that are aimed at cutting costs in its global finance division by $200m to $300m, eliminating the entire layer of middle management in this division and eventually whittling down the size of its 6,800-strong US corporate finance and investment banking workforce.

The bank went to extraordinary lengths – including the use of techno-management jargon that amounts to plain old gobbledygook – to deny that its corporate finance shake-up amounted to a reorganisation. The management reshape was

Richard Braddock: taken on a hands-on management style

described as a "reconfiguration" and strenuous efforts were made by Citicorp to persuade Wall Street that there would not be largescale layoffs as it was simply seeking to "sharpen its strategic focus and re-emphasise marketplace effectiveness".

The bottom line, however, came from the bank itself, which could not avoid disclosing that "the changes announced today ultimately will result in fewer people and lower costs associated with specific businesses".

Mr James McDermott, a banking analyst at Keefe Bruyette, summed up sentiment by saying that Citicorp could use any terminology it wished to describe the restructuring, but "if it walks like a duck and smells like a duck then it's a duck". Mr McDermott noted that revenue flows from corporate finance and investment banking "are simply insufficient to match the overhead structure".

Citicorp is clearly embarrassed at having to slim down its wholesale banking business, but last week's package was actually the third internal management reshuffle since the year began.

The first, in January, was an "organisational realignment" that split the corporate finance business between OECD countries and developing economies and led to the naming of Mr Richard Braddock, a veteran of the retail banking side, as Citicorp president, a post that had been vacant since 1984.

Mr Braddock has taken up a great deal of the hands-on management that seems to hold less appeal for Mr Reed, who prefers being a strategic thinker and top-level problem solver on issues such as Third World debt.

The second shuffle came in March, when the bank reorganised its commercial real estate operation in an effort to back away from large-scale project lending and sort out the deteriorating quality of its loan portfolio.

Last week's "reconfiguration" puts the spotlight on Mr Michael Callen, who was promoted in January to the post of senior executive for corporate finance and investment banking.

Mr Callen is not expected to tamper very much with the European or Japanese and Australian parts of his division, meaning the brunt of his cost-cutting axe will fall on North America, which represents about 45 per cent of the division's operating expenses.

While Mr Callen's cost-cutting goes forward the bank will also be searching for ways to boost its equity-to-assets ratio from its present 3.7 per cent level to more than 4 per cent. Mr Jones told analysts last week that the bank's plan for asset disposals was behind schedule, explaining that he wanted to avoid sales at fire-sale prices because "this is not the greatest environment in which to do deals".

Citicorp is thus facing a range of problems, in common with many other US commercial banks, that are unlikely to be alleviated much before the end of 1991 – by either internal changes or conditions in the marketplace. By recognising these problems and setting out a plan of action, however, America's biggest bank has dealt with at least one obstacle to redefining its cost structure and strategies . . . its pride.

Health care group up 19%

JOHNSON & Johnson, a leading US manufacturer of health care products, yesterday reported a 19 per cent jump in second-quarter net earnings to $353m or $1.06 a share from $297m or 89 cents a year earlier.

Sales in the three months ended July 1 rose 18 per cent to $2.82bn from $2.39bn a year earlier. For the first six months, net income grew 18 per cent to $722m, or $2.17 a share, from $614m or $1.84 on sales which increased 17 per cent to $5.66bn from $4.84bn.

Mr Ralph Larsen, chairman and chief executive, attributed the improved results to the strong performance of the company's pharmaceutical and professional segments.

INTERNATIONAL CAPITAL MARKETS

Stotler withdraws as Chicago clearer

By Barbara Durr in New York

STOTLER Group, the troubled futures trader, has withdrawn as a clearing member of both the CBOT and the CME, the two big Chicago futures exchanges.

Stotler said it had done this because plans for a capital infusion through the sale of a substantial shareholding to unnamed investors had fallen through.

Karsten Mahlmann: chairman of CBOT

Stotler advised the CFTC its principal subsidiary, Stotler and Co, whose chief is CBOT chairman Mr Karsten Mahlmann, is in compliance with the agency's capital requirements. But, Stotler faces restrictions by the CBOT on its trading if capital is less than 7 per cent of customer funds.

In an effort to comply with the requirements, Stotler has transferred several customer accounts to other brokerages. Stotler said it would continue to transfer its customers to other brokerages to reduce further its capital requirements. It will now clear its trades through Brody, White, a futures clearer that acts as a broker's broker.

The arrangement is known as an omnibus relationship, which means the clearing firm will not have information on Stotler's individual customer accounts, but just the overall position of the company.

Stotler said because of its inability to secure a capital infusion from an outside investor, its debt obligations must be immediately restructured or refinanced, including by extension or rolling over of maturing commercial paper. Stotler continues to seek buyers for other subsidiaries.

By some estimates, Stotler will have been cut after this exercise to about a third of its once powerhouse size of $300m worth of customer accounts.

The dispute over Stotler's capital arose after the Securities and Exchange Commission discovered irregularities in the way a small Stotler securities subsidiary in Iowa recorded its capital.

SBC to separate international and domestic arms

By David Lascelles, Banking Editor

SWISS Bank Corporation has decided to separate its domestic and international operations in order to emphasise their different characters.

The domestic business will continue to be run from SBC's headquarters in Basle. But the international side, which will focus mainly on investment banking, will be based in Zurich, and will operate as a separate profit centre.

Mr Fritz Köhli, general manager of the finance group, said that the combination of investment and international banking was a clear indication that SBC saw its overseas growth in investment banking.

The new Zurich-based finance and international group will include foreign exchange and precious metals trading, money markets, stock markets, capital markets, corporate finance and corporate banking, as well as correspondent banking and business conducted out of Switzerland for international commercial clients. It will become operational by July 1991.

Mr Köhli said SBC might also establish a new Zurich-based international corporate finance subsidiary under Mr Hans de Gier, the previous head of the London branch who is now in charge of SBC's worldwide mergers and acquisitions business.

The changes are all part of SBC's efforts to establish a stronger international presence in investment banking, and recover from the setbacks in London where its venture into equity market making was a costly failure.

Among its aims are to expand its corporate finance activities, diversify its placing power into a wider range of institutions internationally and upgrade trading systems using the technology of O'Connor, the Chicago-based options trader and market maker firm with which SBC has a strategic alliance.

Treasuries edge lower as traders track equities

By Janet Bush in New York and Andrew Freeman in London

US Treasury bonds were quoted marginally lower across the yield curve at midsession yesterday in defensive trading as dealers watched the equity market closely and absorbed more testimony by Mr Alan Greenspan, chairman of the Federal Reserve.

At midsession, short-dated maturities were quoted around ⅛ point lower and the long bond stood ⅛ point lower for a yield of 8.56 per cent.

GOVERNMENT BONDS

There were several reasons to be cautious yesterday. Firstly, the bond market continued to focus on the performance of equities after Monday's plunge. At midsession, the Dow Jones Industrial Average was quoted around 16 points lower. Secondly, the market was absorbed with Mr Greenspan's testimony before the House Banking Committee. He said little that was different from his Humbrey-Hawkins testimony last week. One point of interest was his statement that he regarded recent inflation rates as a "lagging phenomenon" and said various indicators said inflation would move down in the future.

■ The German government bond market had another active session yesterday, with Bunds experiencing a further correction in volatile trading, despite good news on inflation.

The provisional July inflation figure for North-Rhine Westphalia was -0.1 per cent, implying an annual rate of 2.1 per cent, much better than analysts' expectations.

The news did little to slow what traders said was a largely technical correction. The benchmark 10-year Bund was fixed in the morning at 101.55, down nearly half a point on the previous close. Towards the close, it was virtually unchanged from that level, trading around 101½ to yield 8.51 per cent.

On the futures market, the September Bund contract was again active with well over 40,000 lots traded. The contract opened at 84.68, down 42 pfennigs from the previous close. It failed to find a decisive direction thereafter and ended that day around 84.50.

■ In London, the excitement of Monday's session quickly wore off as it became clear that investors were looking to sell stock into any rally.

Gilts dropped most of Monday's gains, ending the day around ½ point lower at the longer end of the maturity curve, prompting analysts to characterise the Wall Street-inspired rally as "overdone."

The benchmark 11¾ per cent gilt maturing in 2003-07 was trading at 102⅞ to yield 11.41 per cent, against its previous close of 102⅞.

■ In Japan, reports of tension in the Middle East sent yen bonds lower towards the close. The benchmark 119th issue was yielding 7.445 per cent at the close, against 7.480 on Monday. For the latest Y700bn auction of 10-year bonds, the government suggested a 6.7 per cent coupon.

Merrill quits London warrant trading

By Tracy Corrigan

MERRILL Lynch International has pulled out of the dollar sector of the Japanese equity warrant market, with up to 30 redundancies. Its warrant operations in Zurich and Tokyo are unaffected.

Merrill will focus instead on equity derivative products, having hired half a dozen specialists from Bankers Trust's derivatives unit.

The equity arbitrage unit, run by Mr Martin Loat, will concentrate on "the high technology end of the business" with an emphasis on structured and equity-linked transactions and proprietary trading, an area where profit margins remain high.

The dollar equity warrants operation was considered unlikely to provide a sufficient return on capital, having existed as a break-even concern for several years, said Mr Scott Miller, director of warrant trading at Merrill.

Mr Miller said the development of a market in equity warrants based in Japan, where an inter-dealer market will open in September, was not a consideration.

Merrill did not have a large market-share of the dollar equity warrants business, according to several competitors. Like Merrill, the dozen remaining market-makers have faced difficult trading conditions in the first half of this year. Volumes contracted following the huge losses which afflicted the sector after the Japanese stock market's slide earlier this year.

EUROPEAN DUTY FREE INDUSTRY

The Financial Times proposes to publish this survey on:

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For a full editorial synopsis and advertisement details, please contact

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FINANCIAL TIMES
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FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on July 24

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	99¼	99⅝	-⅛	9.17
ALBERTA PROVINCE 9 3/8 95	600	101⅛	101⅝	-⅛	9.02
AMERICAN GENERAL 9 3/4 95	100	97½	98¼	-⅛	10.42
AUSTRALIA 11 1/4 00	100	108⅝	109¼	+⅛	9.85
AUSTRIA 8 1/2 00	400	95⅛	95⅝	-⅛	9.26
BANK OF TOKYO 8 3/8 96	100	96	96⅜	-⅛	9.29
BELGIUM 9 1/8 92	400	100⅝	101	-⅛	8.77
EFCE 7 3/4 97	150	93⅛	93⅝	-⅛	9.11
BNP 8 5/8 94	300	98⅝	99⅛		9.01
BP CAPITAL 9 5/8 93	150	101⅝	102⅛		9.05
CANADA 9 96	1000	100⅝	101	-⅛	8.83
CCCE 9 1/4 95	300	101¼	101⅝		8.88
COUNCIL EUROPE 8 96	100	95	95⅜	-⅛	9.11
CREDIT FONCIER 9 1/2 99	300	101⅛	101⅝	-⅛	9.26
DENMARK 0 98	250	48⅝	49⅛	-⅛	9.36
DENMARK 8 1/4 94	150	97⅛	98	-⅛	9.01
ECSC 8 1/4 96	193	96	96⅜	-⅛	9.09
EEC 7 1/4 93	250	96⅝	97		8.72
EIB 7 3/4 96	250	94⅛	94⅝	-⅛	9.07
EIB 10 97	250	104¼	104⅝	-⅛	9.11
ELEC DE FRANCE 9 98	200	99⅜	99⅞	-⅛	9.10
EUROFIMA 9 1/4 96	100	100⅞	101⅛	-⅛	9.02
EXPORT DEV CORP 9 1/2 98	150	101⅛	101⅝	-⅛	9.22
FINLAND 7 7/8 97	200	93⅛	93⅝		9.28
FINNISH EXPORT 9 3/8 95	200	101⅛	101⅝	-⅛	9.02
FORD MOTOR CREDIT 9 1/2 93	300	101⅛	101⅝	-⅛	9.06
GEN ELEC CAPITAL 9 3/8 96	300	101⅛	101⅝		9.03
GMAC 9 1/8 96	200	100	100⅜	-⅛	9.10
HALIFAX 9 1/2 93	200	101	101⅜	-⅛	9.08
IBM WORLD TRADE 7 5/8 93	150	95⅝	96⅛	-⅛	9.19
IND BK JAPAN FIN 7 7/8 97	200	93	93⅜	-⅛	9.31
INTER AMER DEV 7 5/8 96	200	93	93⅜		9.16
ITALY 8 1/2 94	1500	98⅛	98⅜		8.88
JAPAN DEV BK 8 94	150	97⅛	97⅝	-⅛	8.91
KANSAI ELEC PWR 10 96	350	102⅝	103⅛	-⅛	9.33
LTCB 8 5/8 93	150	99⅛	99⅝	-⅛	8.87
NEW ZEALAND 8 93	100	97⅛	98		9.01
NIPPON CRED BK 9 3/4 93	150	101⅝	102⅛	+⅛	9.03
NIPPON TEL & TEL 9 3/8 95	200	101⅛	102	-⅛	9.00
NISSAN ACCEPT CORP 9 1/4 91	150	99⅝	100⅛		9.36
OLYMPIA & YORK 8 1/4 96	435	92⅛	93⅛	+1⅛	9.98
ONTARIO HYDRO 11 5/8 94	200	105⅝	106⅛	-1⅛	9.63
OSTER KONTROLLBANK 8 1/8 93	200	98⅛	98⅝	-⅛	8.80
PRUDENTIAL RLTY SECS 0 99	365.216	46⅛	47⅛		9.42
QUEBEC HYDRO 9 3/4 98	150	101⅛	102⅛	-⅛	9.44
QUEBEC PROV 9 98	200	97⅛	98⅛	-⅛	9.38
SAINSBURY 9 1/8 96	150	99⅛	99⅝		9.22
SAS 10 99	200	101⅛	102⅛	-⅛	9.76
STATE BK STH AUST 9 1/4 93	100	100⅛	101⅛	-⅛	9.09
SUMITOMO TST 7 3/4 92	100	98⅛	98⅝	-⅛	9.07
SWEDEN 8 1/8 94	150	97⅛	97⅝	+⅛	9.02
SWEDISH EXPORT 9 5/8 93	100	101⅝	102⅛	+⅛	8.74
TOKYO METROPOLIS 8 1/4 96	200	95⅝	96⅛		9.12

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	92⅛	93⅛		9.59
KREDIETCORP 7 93 LFr	1000	93⅛	94⅛		9.56
WORLD BANK 8 96 LFr	1000	93¾	94½		9.41
AMRO BANK 6 1/4 92 Fl	150	94⅛	94⅞		9.52
DENMARK 8 1/2 91 Fl	100	99⅜	100		9.60
HEINEKEN 7 5/8 94 Fl	150	95⅛	96		9.11
PHILIPS GLOEILAMPEN 5 3/4 92 Fl	150	94⅛	95⅛		9.48
RABOBANK 5 3/4 93 Fl	150	92	92⅞		9.32

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
WORLD BANK 6 1/4 92	100	98¼	99	+⅛	6.86
WORLD BANK 7 1/4 92	100	100⅞	101½	-⅛	6.83
AUSTRIA 4 3/4 96	30000	92⅛	92⅝	-⅛	7.38
CANADA 4 3/8 92	80000	94⅝	95	-⅛	7.40
CREDIT FONCIER 5 1/4 94	20000	91⅞	92⅜	-⅛	7.47
DENMARK 7 95	40000	98⅝	99	-⅛	7.32
EIB 4 5/8 94	40000	91⅛	91⅝	-⅛	7.31
GENERAL ELECTRIC 5 3/4 93	35000	95⅞	96⅛	-⅛	7.48
INTER AMER DEV 7 1/4 00	30000	100⅛	100⅝	-⅛	7.17
ITALY 5 3/4 92	150000	97⅛	97⅝	-⅛	7.46
KANSAI ELEC PWR 4 5/8 94	60000	91	91⅛	-⅛	7.44
NIPPON TEL & TEL 5 7/8 96	50000	94⅛	94⅝	-⅛	7.08
NORWAY 5 1/8 95	50000	91⅛	92	-⅛	7.25
SWEDEN 5 5/8 95	20000	92⅞	93⅛	-⅛	7.32
WORLD BANK 6 3/4 00	50000	97⅛	98⅛	-⅛	7.05

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
EASTMAN KODAK 6 3/8 01	300	50.67	92⅞	93⅞	+21.44
GOODYEAR TIRE 6 7/8 03	150	80⅛	72⅝	73½	[illegible]
GRACE (WR) 6 1/4 02	150	42⅛	86	87	+22.81
GRAND MET 6 1/4 02 £	100	6.50	102⅛	103⅛	+1.82
HAWLEY 6 02 PREF	400	1.91	111⅛	112⅛	+12.71
HILLSDOWN 4 1/2 02 £	150	4.16	98⅛	99⅝	+46.34
INTL PAPER 5 3/4 02	200	68⅛	90⅛	91⅛	+14.54
LAND SECS 6 3/4 02 £	84	6.72	84⅛	85⅛	[illegible]
METAL BOX 5 3/4 02 £	65	1.93	109⅛	111⅛	-4.26
MITSUBISHI BK 1 3/4 02	300	2727.1	82⅛	84⅛	-0.85
OGDEN 6 02	85	39.077	85	85⅝	+32.36
PACIFIC DUNLOP 6 3/4 97	75	3.749	112	113	-0.82
TEXAS INSTRUMENTS 2 3/4 02	300	82⅛	76	76⅞	+87.32
THORN EMI 5 3/4 04 £	103	7.45	104⅛	105⅛	+5.92

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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ALLIANCE LEICESTER
Alliance & Leicester Building Society

£300,000,000
Floating rate notes 1994

For the three months 24 July 1990 to 24 October 1990 the notes will bear interest at 15.08% per annum. Interest payable on the relevant interest payment date 24 October 1990 will amount to £190.05 per £5,000 note and £3,800.99 per £100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

NOTICE OF REDEMPTION
ALLCO INTERNATIONAL LIMITED
Guaranteed Floating Rate notes 1995
Unconditionally and irrevocably guaranteed by THE LONG-TERM CREDIT BANK OF JAPAN, LIMITED
NOTICE IS HEREBY GIVEN that, pursuant to Condition [illegible] has elected to redeem on August 7, 1990 U.S.$2 [illegible] of the outstanding Notes at 100%. The Notes drawn for redemption are numbered as follows:
All Bonds ending in the following two digits — 03 18 60 97
Also the Bonds bearing the following serial numbers — 249 349 449 849 749 849 949
Also bonds not presented after February 6, 1990 redemption 53 53
Payment will be made upon surrender of the Notes, together with all coupons maturing after the date fixed for redemption, at the offices of the Paying Agents as shown on the Notes. Coupons maturing on August 7, 1990 should be detached and presented for payment in the normal manner on and after August 7, 1990. Interest on the Notes will cease to accrue and unmatured coupons will become void. Outstanding after August 7, 1990, will be US$42 [illegible]
25 July 1990
By Citibank, N.A. (CSSI Dept.) London, Paying Agent

FIRST CITY
BANCORPORATION OF
TEXAS, INC
US$100,000,000
FLOATING RATE NOTES
DUE JANUARY 1995

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period 24th July, 1990 to 24th October, 1990, has been fixed at 8.½ per cent per annum. Interest will therefore be payable at US$212.43 on 24th October, 1990.
MANUFACTURERS HANOVER TRUST COMPANY
Agent Bank

This announcement appears as a matter of record only.

THE BANK OF NEW YORK

is pleased to announce the establishment of a

SPONSORED AMERICAN DEPOSITARY RECEIPT (ADR) FACILITY

for

MICRO FOCUS

Micro Focus Group PLC

THE BANK OF NEW YORK

For further information regarding The Bank of New York's ADR Services, please contact Kenneth A. Lopian in New York (212) 815-2084, or Michael McAuliffe in London (071) 322-6336.

ALLIANCE LEICESTER
Alliance & Leicester Building Society
£112,000,000
Subordinated Floating Rate Notes due 1998

For the three months 24th July, 1990 to 24th October, 1990, the Notes will carry an interest rate of 15.65% per annum with an interest amount of £19,723.29 per £500,000 Note, payable on 24th October, 1990.

Listed on the Luxembourg Stock Exchange.

Bankers Trust Company, London — Agent Bank

FLORA 2 LIMITED
U.S.$58,800,000
Secured Floating Rate Notes Due 1993

In accordance with the terms and conditions of the Notes, notice is hereby given that for the six months period from 23rd July, 1990 to 22nd January, 1991 the Notes will carry an interest rate of 8.4375 per cent.
The coupon amount so calculated will be US$4,289.06 per Note of US$100,000 – nominal.

LTCB
THE LONG-TERM CREDIT BANK OF JAPAN, LTD.
Agent Bank

GRANVILLE
SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
343	273	Ass. Brit. Ind. Ordinary	275	+1	10.3	3.7	7.4
38	19	Armitage and Rhodes	26	0	-	-	-
210	135	Bardon Group (SE)	146	-4	4.3	2.9	14.2
125	96	Bardon Group Cv Pref (SE)	97	0	6.7	6.9	-
123	70	Bray Technologies	72	0	4.7	6.5	11.8
110	82	Bremhill Conv. Pref	82	0	11.0	13.4	-
318	285	CCL Group Ordinary	314	0	18.7	6.0	2.5
176	163	CCL Group 11% Conv. Pref	168	0	14.7	8.8	-
230	140	Carbo Plc (SE)	230	0	7.6	3.3	13.5
110	109	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
7.5	0.125	*Magnet Gp Non-Voting A Cnv	0.125	0	-	-	-
7.5	0.125	*Magnet Gp Non-Voting B Cnv	0.125	0	-	-	-
130	56	Isis Group	56	0	8.0	14.3	3.2
145	98	Jackson Group (SE)	112	0	4.3	3.8	10.0
345	243	Multihouse NV (AmstSE)	298	-2	-	-	-
158	98	Robert Jenkins	130xd	0	11.0	8.5	3.9
467	320	Scrutons	325	0	20.0	6.2	9.0
178	106	Unistrut Europe Conv Pref	178	0	10.7	6.0	-
395	235	Veterinary Drug Co. PLC	241	+1	22.0	9.1	6.4
386	278	W.S Yeates	385	0	16.2	4.2	12.1

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of the ISE. Other securities listed above are dealt in subject to the rules of TSA.
These securities are dealt in strictly on a matched bargain basis. Neither Independent Companies Exchange Limited nor Granville Davies Limited are market makers in these securities.
* These securities are dealt on a restricted basis. Further details available.

Independent Companies Exchange Limited, 77 Mansell Street, London E1 8AF, Telephone 071-488 1212, Member of TSA
Granville Davies Limited, 77 Mansell Street, London E1 8AF, Telephone 071-488 1212, Member of The ISE & TSA

IG INDEX
TELEPHONE: 071-828 7233 — AFBD MEMBER
FTSE 100: July. 2353/2363 -47; Sept. 2403/2413 -47
WALL STREET: July. 2889/2901 -76; Sept. 2899/2911 -78
5pm Prices. Change from previous 9pm close
HOW WELL DID YOU JUDGE THE MARKET?

Schlumberger

SCHLUMBERGER SECOND QUARTER EARNINGS
New York, New York, July 19 Schlumberger Limited reported second quarter net income of $145 million compared to $127 million earned in the same quarter of the previous year. Excluding $35 million of extraordinary and unusual gains from prior year results, 1990 second quarter net income increased 56%. Earnings per share were $0.61 versus $0.53 in the previous year and also grew 56% compared to the $0.39 per share excluding $0.14 of extraordinary and unusual items in 1989. Operating revenue in the second quarter was $1.29 billion compared with $1.20 billion in the prior year. When businesses acquired and sold in the interim are excluded, consolidated revenue was 17% higher.

For the first six months of 1990, net income was $273 million, $1.15 per share, compared to $175 million, $0.74 per share, reported in the previous year excluding the extraordinary and unusual items, an increase of 56%.

Euan Baird, Chairman, stated that "Increased Oilfield Services operations worldwide were primarily responsible for our much improved second quarter. Total revenue from oilfield activity was up 21%. While the rig count worldwide increased 11%, North American revenue growth exceeded our expectations".

"New services which enhance customer productivity are starting to make a significant impact on profitability and market breadth." He further noted, "In spite of uncertainties related to the weakening oil prices in the second quarter, worldwide oilfield activity continued to increase as the oil industry remained focused on developing reserves for the future."

U.S. $100,000,000
VereinWest Overseas Finance (Jersey) Limited
Floating Rate Notes Due 1991
secured on a deposit with
Vereins- und Westbank
Aktiengesellschaft

Interest Rate: 8.2125% per annum
Interest Period: 25th July 1990 – 25th January 1991
Interest Amount per U.S. $10,000 Note due 25th January 1991: U.S. $419.75

Credit Suisse First Boston Limited
Agent Bank

CO-OPERATIVE BANK P.L.C.
(Incorporated in England under the Companies Acts 1948 to 1980)
£75,000,000
Subordinated Floating Rate Notes 2000
Holders of Floating Rate Notes of the above issue are hereby notified that for the interest period from 24th July, 1990 to 24th October, 1990 the following information will apply:
1. Rate of Interest: 15.125% per annum
2. Interest Amount payable on Interest Payment Date: £190.62 Per £5,000 nominal or £1,906.16 Per £50,000 nominal
3. Interest Payment Date: 24th October, 1990
Agent Bank
Bank of America International Limited

Tops Series V Limited
(Incorporated with limited liability in the Cayman Islands)
U.S. $150,000,000
Series V Floating Rate Trust Obligation Participation Securities due 1992
Secured by a Charge on a Portfolio of Fixed Rate Bonds and Notes with an aggregate principal amount of U.S. $215,275,000
For the period 24th July, 1990 to 24th January, 1991, the securities will carry an interest rate of 8.3375% per annum with a coupon amount of U.S. $10,653.47 per U.S. $250,000 denomination and U.S. $21,306.94 per U.S. $500,000 denomination.
Listed on the Luxembourg Stock Exchange
Bankers Trust Company, London — Agent Bank

INTERNATIONAL CAPITAL MARKETS

Tokyo institutions build up derivatives expertise

By Andrew Freeman

LAST week Nomura International, the largest of the Big Four Japanese securities houses, announced its intention to set up an equity derivatives team in London, New York and Tokyo. Yesterday, Tokai International, one of the smaller Japanese securities houses in London, revealed it had hired a senior arbitrage trader from Salomon Brothers.

These are the latest steps in what officials confirm is a noticeable trend towards the acquisition of financial engineering and derivatives expertise by Japanese banks and securities houses.

The Nomura move was not unexpected, following a pattern set by the leading US investment banks and brokerage houses. But the hiring of Mr Kaveh Alamouti by Tokai did raise eyebrows. Tokai confirmed his appointment yesterday. It is understood he will concentrate on swaps, options and arbitrage trading for the firm's own account.

The motives for increasing exposure to complicated financial instruments and strategies are several. The most obvious is profitability, with high returns available for those houses which take the correct positions. The temporary dearth of Japanese equity warrant business earlier this year made the houses think hard about where their future earnings might be derived.

Customer demand is driving the development of some products such as basket trading in US stocks, although the Japanese houses often face difficulties in penetrating the local equity markets in which the underlying stocks are based. In the long-term, the real reason for the sudden interest is an industry-wide perception that those houses which acquire expertise today will be in a strong position to win valuable business when the domestic market in Japan is liberalised.

Austrian bank in $200m issue

By Tracy Corrigan

OESTERREICHISCHE Kontrollbank brought a $200m issue of 9 per cent five-year Eurobonds, which met pent-up demand for top-quality dollar paper, dealers said. The bonds were considered correctly priced at a yield spread of 43 points above the five-year US Treasury.

INTERNATIONAL BONDS

Spreads on five-year issues for the likes of the World Bank and Kreditanstalt fuer Wiederaufbau have tightened over the last week or so, as institutional and retail demand has been concentrated at that area of the yield curve, dealers said.

Volatile trading conditions on Monday did not appear to have adversely affected interest in the market.

The OKB deal, bought mainly by institutional investors, was bid at 100.27, above its fixed reoffered price of 100.25. The funds were swapped into floating-rate D-marks, with redemption to be paid in Swiss francs.

KFW International Finance, an arm of the German reconstruction agency Kreditanstalt fuer Wiederaufbau, tapped the Canadian dollar sector. Some interest in Canadian dollar paper has been rekindled by the historically wide spread of about 2¼ points between the Canadian and US bond markets.

Lead manager Dresdner Bank reported firm demand for the 11⅛ per cent five-year bonds from investors in Germany and Switzerland. But demand for most Canadian paper remains sporadic.

The deal was bid within full fees of 1⅞ at less 1⅞ points.

British Gas International Finance's L100bn offering of 12¼ per cent four-year Eurobonds suffered from a general weakening of interest in the lira sector, dealers said. The currency is viewed as close to the top of its range, while the supply of new issues, prompted by attractive swap opportunities, has sated some appetites.

The issue, which was underwritten by Banca Commerciale Italiana, was bid on full fees of 1⅝.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Ricoh Co.♦	300	4¾	100	1994	2¼/1½	Nomura Int.
Oest. Kontrollbank(b)◆	200	9	100¼	1995	25bp	J.P. Morgan Secs.
Nachi-Fujikoshi Corp.♦	180	4¾	100	1994	2¼/1½	Yamaichi Int. (Europe)
Mitsui Taiyo Kobe Bank(d)◆	30	zero	95.62	1991	1/⅛	Mitsui Taiyo Kobe
CANADIAN DOLLARS						
KfW Int. Finance Inc.(a)◆	150	11⅛	101⅛	1995	1⅞/1¼	Dresdner Bank
LIRE						
British Gas Int. Finance(a)◆	100bn	12¼	101.40	1994	1⅝/1⅛	Bca.Commerciale Italiana
SWISS FRANCS						
Montreal Trust Co.(a)★★◆	100	7¼	101¾	1995	1⅜	UBS
YEN						
Den Norske Bank(a)◆	5bn	7.31	101⅞	1995	1⅝/⅞	IBJ Int.
NEW ZEALAND DOLLARS						
Telecom of New Zealand(c)◆	60	13½	101.60	1993	1½/1	Kredietbank NV

★★Private placement. ♦With equity warrants. ◆Final terms. a) Non-callable. b) Fixed re-offer price. Non-callable. c) Issue increased from NZ$50m. Non-callable. d) Partial amount of $20m retired end March 1991.

Algeria to raise $1bn through use of collateral

By Francis Ghilès

ALGERIA plans to use collateral to encourage commercial lenders to refinance part of its $25bn foreign debt.

Banque de l'Union Européene is understood to be acting as technical adviser to the Algerian authorities over the possibility of raising the equivalent of $1bn to $1.5bn in collateralised loans. The loans would be partly secured on zero-coupon bonds.

During a meeting with his Algerian counterpart, Mr Ghazi Hidouci, yesterday in Paris, the French Minister of Finance, Mr Pierre Bérégovoy gave his blessing to an Algerian attempt to raise $1bn to $1.5bn in loans through a group of French banks which would benefit from an Algerian collateral, suggesting the French would be willing to provide zero-coupon government bonds to assist the Algerians.

A Central Bank of Algeria report, presented to international bankers at a meeting in London three weeks ago, suggested that if it could raise an annual $3bn in collateralised loans, Algeria could reduce its debt service ratio – now standing at 75 per cent – to 24 per cent by 1992-3.

Algeria faces a hump of debt repayments over the next three years, but remains determined not to enter into a wholesale rescheduling.

Mr Bérégovoy also agreed yesterday to disburse the remaining FFr2bn worth of a FFr4bn in loans extended to Algeria 18 months ago. Half of the loans, which provide for a mix of 20-year Treasury loans and 10-year commercial credits guaranteed by the French export organisation Coface, has already been drawn down.

Meanwhile, a three-year revolving package of export credits, worth FFr3bn, three quarters of which has been drawn down and which was part of the same accord, is expected to be increased by FFr1bn.

Talks are also underway to find a solution to various disputes about payments to French companies, including one between Air Algérie and Air France.

Chicago fails to excite insurers

Barbara Durr on the CBOT's plans for a reinsurance futures contract

The Chicago Board of Trade (CBOT) is determined to move ahead swiftly to implement reinsurance futures, despite a high level of scepticism about the product within the US insurance industry.

The futures exchange's latest initiative has been to expand significantly its proposal for the new product, adding home owners and commercial property damage to the motor and health reinsurance contracts which were originally envisaged.

The exchange appears eager to score quick, high marks for innovation even if it means doing so at the expense of insurance companies and insurance regulators. These mostly find themselves floundering in a morass of misunderstanding about the basic working concept of a reinsurance future.

Why is the CBOT pushing reinsurance contract development so hard? Firstly, it is concerned about having too many eggs in one basket. CBOT trading volume is dominated by US Treasury bond futures where competition is rough and profit margins are being increasingly squeezed.

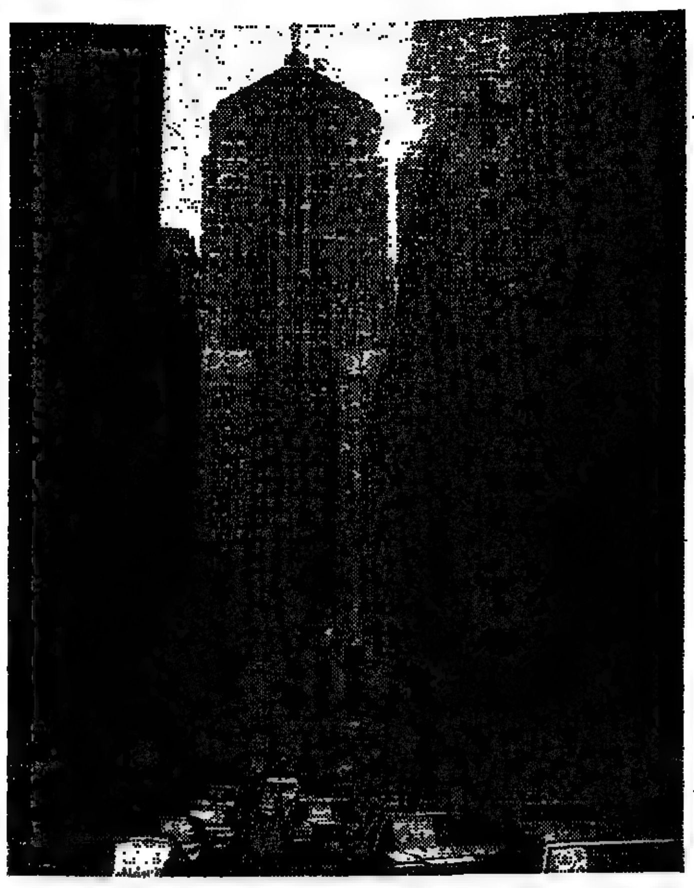
Secondly, competition to be the first to introduce a reinsurance future, and play a pivotal role in the $30bn US reinsurance industry, is fierce. Finding a workable formula for the standard specifications required has not been easy but the CBOT appears to have overcome this and is eager to put its plans into operation.

The CBOT is devoting $1m to developing the reinsurance contracts and its officials are busy consulting the industry. The addition of home owners and commercial property damage reinsurance to the list of contracts arose out of these discussions.

But the insurance industry at large appears less than sold on the idea. "On the face of it it seems to operate just like reinsurance, providing a cap on your exposure," said Mr Jack Blaine, president of the Washington-based Reinsurance Association of America.

But until there is more information on whether the futures will be a competitive product, Mr Blaine feels that reinsurance companies are going to adopt "more of a wait and see attitude."

Mr Ken Towers, executive director of the Illinois Insurance Information Service, said: "There are so many unanswered questions that I would have to view it cautiously. It's hard to imagine insurance companies walking away from something that works (reinsurance), to something so speculative."



Chicago Board of Trade: eager to put its plans into operation

The information gaps are even more noticeable at the regulatory level. Ms Miriam Boggio, Deputy Superintendent of the New York Department of Insurance, said that while insurance companies are allowed to hedge their investment portfolios, it is not clear how futures fit in. She is waiting to meet CBOT officials for more information. Mr Dan Kupper, vice president for Administration and Finance at Allstate Insurance, one of the few industry executives willing to comment on the subject, said he did not anticipate futures threatening or replacing reinsurance, which is provided in highly customised deals.

He did not doubt, however, the futures could serve as one more option to help manage insurers' risk that are "short-tailed," or those where damage (not liability) claims are filed fully and immediately after an event, such as a hurricane.

But he was guarded about the possibility of Allstate using the futures, "We make and will continue to make use of reinsurance," he said.

Mr James Skelton, president of the Illinois Insurance Exchange, a type of mini-Lloyd's that is comprised of underwriting syndicates, was dubious as well that the IIE's syndicates would use the futures. Other significant insurance companies had still not studied the proposal enough to comment about if or how they might use the contracts. Industry and regulators did, however, challenge directly the altruistic claims of the CBOT regarding the potential of reinsurance futures to stabilise risk for the insurance industry and so lower premium costs for the public.

"That's ridiculous," said Mr Blaine flatly. Competition in the reinsurance industry is healthy and very keen, he said.

CBOT officials have suggested that perhaps smaller to medium-sized insurance companies, with less powerful positions to deal with reinsurers might be more likely candidates to use the futures as an alternative to reinsurance.

They may not be able to obtain a customised reinsurance deal, but with broker's fees running as high as 20 to 25 per cent, the futures will be cheaper and easier to execute, a CBOT official said.

Pledge on HEAF loans

MR Lauro Cavazos, US Education Secretary, said loans guaranteed by the financially troubled Higher Education Assistance Foundation (HEAF) would remain government guaranteed, Reuter reports.

He said HEAF's problems do not threaten the integrity of the national student loan programme. Mr Cavazos said a department task force was reviewing HEAF's problems. His comments came after reports that HEAF faced possible bankruptcy if it did not merge with a loan guarantor.

Under secretary Mr Ted Sanders said that a merger was not a viable situation. Options, he said, included HEAF's termination as a guarantor and the formation of a new agency. Asked if HEAF's troubles might be the first of many for such loan guarantors, Mr Sanders said: "We do not believe HEAF is the first in a long string of failures in reinsurance agencies."

● The Bank of Greece, which co-ordinates public sector borrowing, said yesterday that it had not sought to blame any party for the delay in launching a syndicated loan for Hellenic Refinery following a mix-up in the loans market.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday July 24 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Jul 23 Index No.	Fri Jul 20 Index No.	Thu Jul 19 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (194)	879.93	+0.2	13.15	5.27	9.29	23.04	878.24	890.26	890.42	985.51
2	Building Materials (26)	1122.08	+0.8	13.62	5.37	9.07	30.01	1113.38	1128.68	1126.79	1213.22
3	Contracting, Construction (36)	1432.02	+0.8	16.73	5.75	7.78	35.78	1420.52	1444.49	1452.81	1616.12
4	Electricals (10)	2432.28	−0.1	11.80	5.47	10.43	61.43	2435.71	2449.58	2449.00	2946.00
5	Electronics (26)	1812.29	−0.8	10.45	4.43	12.53	51.42	1826.00	1853.83	1838.37	2268.75
6	Engineering-Aerospace (8)	462.13	−1.4	14.05	5.09	8.48	10.79	468.79	475.16	479.06	0.00
7	Engineering-General (46)	490.87	+0.1	12.03	5.21	10.06	11.34	490.34	489.86	491.62	0.00
8	Metals and Metal Forming (6)	494.06	+0.7	23.37	6.80	5.21	16.68	490.80	496.50	493.69	528.27
9	Motors (13)	351.28	+0.4	16.06	6.65	7.24	9.81	349.85	355.55	357.74	344.18
10	Other Industrial Materials (23)	1590.96	+0.6	10.95	5.01	10.54	39.22	1581.41	1612.02	1615.47	1677.78
21	CONSUMER GROUP (179)	1309.60	−0.2	9.27	3.86	13.33	24.06	1312.01	1329.25	1323.39	1298.48
22	Brewers and Distillers (22)	1635.11	−0.2	9.32	3.56	12.89	30.46	1638.67	1650.55	1638.06	1425.13
25	Food Manufacturing (20)	1098.00	−0.1	10.35	4.31	11.96	23.19	1098.83	1111.79	1113.71	1189.64
26	Food Retailing (16)	2591.06	+0.5	8.77	3.18	14.60	40.59	2578.98	2608.92	2592.78	2472.24
27	Health and Household (15)	2562.57	−0.5	6.75	2.70	17.60	25.21	2574.66	2623.70	2607.39	2314.41
29	Leisure (33)	1443.63	....	10.04	4.28	12.13	34.00	1442.95	1461.42	1455.07	1719.25
31	Packaging & Paper (12)	608.83	....	10.94	5.65	11.26	12.94	609.11	617.57	619.24	603.64
32	Publishing & Printing (16)	3447.54	−2.5	10.44	5.36	11.97	105.00	3537.09	3593.14	3603.94	3693.27
34	Stores (34)	819.45	+0.4	10.80	4.60	11.99	16.49	816.35	827.73	822.65	864.24
35	Textiles (11)	491.69	+0.5	12.52	7.31	10.08	18.26	489.21	493.46	491.65	551.99
40	OTHER GROUPS (107)	1168.35	−0.5	11.15	5.08	10.81	25.61	1174.52	1198.08	1195.25	1182.00
41	Agencies (17)	1496.42	−10.1	6.74	2.55	17.95	15.86	1664.24	1702.38	1686.61	1417.98
42	Chemicals (23)	1278.77	−0.4	11.02	5.19	10.62	31.96	1283.94	1296.45	1287.60	1316.81
43	Conglomerates (15)	1635.04	+0.4	10.43	6.11	11.52	31.95	1628.05	1666.78	1659.53	1686.68
44	Transport (13)	2346.91	+0.7	10.48	4.41	12.12	49.33	2329.49	2358.96	2349.03	2447.29
46	Telephone Networks (2)	1195.44	+0.7	11.22	4.71	11.60	26.09	1187.63	1229.35	1237.43	1078.30
47	Water (10)	1955.05	+2.1	16.41	6.93	6.82	68.12	1915.60	1911.97	1892.18	0.00
48	Miscellaneous (27)	1778.01	−0.7	12.39	5.05	9.19	41.95	1790.05	1819.63	1818.45	2048.05
49	INDUSTRIAL GROUP (480)	1170.20	−0.2	10.78	4.58	11.33	24.98	1172.55	1190.64	1187.45	1204.37
51	Oil & Gas (20)	2407.54	+1.6	12.19	5.12	10.75	60.49	2370.11	2396.06	2347.01	2166.58
59	500 SHARE INDEX (500)	1273.22	....	10.98	4.65	11.24	27.88	1272.58	1291.41	1284.73	1286.06
61	FINANCIAL GROUP (108)	806.56	+0.6	–	5.68	–	21.40	802.13	812.70	814.32	770.58
62	Banks (9)	856.35	+0.1	19.12	6.30	6.85	25.62	855.26	869.49	875.03	748.34
65	Insurance (Life) (7)	1512.75	+1.5	–	4.87	–	36.94	1489.85	1513.45	1491.90	1170.52
66	Insurance (Composite) (6)	682.45	+0.4	–	6.06	–	19.43	679.49	690.43	696.86	611.62
67	Insurance (Brokers) (8)	957.45	+1.5	8.99	6.72	14.66	32.95	943.38	951.04	954.93	970.53
68	Merchant Banks (7)	437.68	−0.6	–	4.63	–	10.76	440.17	443.85	443.22	364.63
69	Property (47)	1105.82	+1.1	7.93	4.28	16.19	19.93	1093.74	1097.72	1097.02	1367.35
70	Other Financial (24)	289.68	+0.1	10.53	6.75	12.31	8.95	289.46	292.38	291.19	377.12
71	Investment Trusts (66)	1216.93	+0.4	–	3.17	–	18.16	1212.22	1230.83	1232.29	1207.84
91	Overseas Traders (5)	1442.38	−0.4	9.76	6.34	12.23	59.65	1448.28	1480.87	1471.77	1412.88
99	ALL-SHARE INDEX (679)	1160.91	+0.1	–	4.77	–	26.13	1159.41	1176.37	1171.71	1159.93

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 23	Jul 20	Jul 19	Jul 18	Jul 17	Year ago
FT-SE 100 SHARE INDEX‡	2360.9	+1.2	2378.1	2351.8	2359.7	2400.1	2387.3	2402.0	2415.0	2269.4

FIXED INTEREST

	PRICE INDICES	Tue Jul 24	Day's change %	Mon Jul 23	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years●	115.67	+0.05	115.62	–	7.49
2	5-15 years●	122.28	+0.08	122.18	–	7.68
3	Over 15 years●	126.55	+0.11	126.41	–	6.15
4	Irredeemables●	143.27	+0.36	142.76	–	7.35
5	All stocks●	122.23	+0.07	122.13	–	7.57
	Index-Linked					
6	Up to 5 years●	147.31	....	147.31	–	1.49
7	Over 5 years●	136.01	−0.35	136.49	–	2.51
8	All stocks●	136.75	−0.32	137.19	–	2.43
9	Debentures & Loans	101.50	+0.01	101.49	–	6.22
10	Preference	75.48	+0.20	75.33	–	3.58

	AVERAGE GROSS REDEMPTION YIELDS		Tue Jul 24	Mon Jul 23	Year ago (approx.)
	British Government				
1	Low	5 years●	10.71	10.72	9.75
2	Coupons	15 years●	10.70	10.71	9.27
3		25 years●	10.70	10.71	9.15
4	Medium	5 years●	11.98	11.98	10.56
5	Coupons	15 years●	11.19	11.20	9.69
6		25 years●	10.85	10.87	9.32
7	High	5 years●	12.07	12.08	10.67
8	Coupons	15 years●	11.43	11.46	9.92
9		25 years●	11.08	11.11	9.52
10	Irredeemables	●†	10.76	10.80	9.22
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.●	5.38	5.37	3.20
12	Inflation rate 5%	Over 5 yrs.●	4.34	4.31	3.56
13	Inflation rate 10%	Up to 5 yrs.●	4.22	4.21	2.39
14	Inflation rate 10%	Over 5 yrs.●	4.15	4.12	3.39
15	Debs &	5 years	13.64	13.63	12.41
16	Loans	15 years	12.78	12.78	11.86
17		25 years	12.50	12.50	11.35
18	Preference	†	12.59	12.61	10.27

‡Opening index 2366.8; 9 am 2365.1; 10 am 2376.8; 11 am 2373.5; Noon 2372.5; 1 pm 2370.3; 2 pm 2364.8; 3 pm 2355.3; 4 pm 2359.6; 4.10 pm 2359.2; (a) 10.23am (b) 2.50pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p. ●- Prices for 20/7 are unavailable. Indices and yields calculated on 19/7 prices. Any changes are due to the accrued interest.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	44	18	36
Corporations, Dominion and Foreign Bonds	2	7	14
Industrials	338	355	879
Financial and Properties	154	160	428
Oils	28	22	38
Plantations	0	1	9
Mines	43	30	89
Others	39	109	97
Totals	648	702	1,590

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price	+or −	Net Div	Times Cov'd	Gross Yield	P/E Ratio
–	F.P.	–	131	110	ABI Leisure 10p	129					8.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

- First Dealings July 16
- Last Dealings July 27
- Last Declarations Oct. 18
- For settlement Oct. 29

For rate indications see end of London Share Service

Calls in Aviva Pet., Amber Day, Bimec Inds., Burton, Kwik Energy, Printech and Richmond Oil & Gas. Put in T. Cowie.

LONDON TRADED OPTIONS

A LATE squeeze in the stock futures market drove prices higher despite nervousness on the underlying market, while a sharp decline in Reuters shares triggered a bout of activity in the traded options market.

Once again, the futures market followed the pattern of recent days, with a strong opening performance after Wall Street closed above its worst levels. But it was the cash market which influenced futures trading. A programme trade in the underlying market, believed to be by a US investment house, gave the stockmarket a boost, and dragged the derivatives markets behind it.

However, worries about poor US corporate earnings caused the futures market to turn lower around the middle of the session. This provoked a sell-off in the cash market. Wall Street traded erratically during London's afternoon but a late squeeze in the futures market pushed prices higher just before the close.

The September FT-SE 100 index closed at 2,418.0, up 7.0 points on the day. Its premium to the cash index closed at 59 points compared with 48 on Monday.

In the traded options market, dealing in Reuters options was boosted after its shares fell by 15 per cent following the company's warning that profits growth in the second half of this year would be less than in the first half.

The sharp fall in the shares caused puts to be marked higher. The August 1050 puts showed one of the steepest increases, closing at 52p against an opening 2p.

Reuters traded a total of 2,648 contracts, of which 1,424 were calls and 1,224 were puts. The August 1100 calls were the most active, trading 578 lots.

Total options market turnover stood at 30,309 contracts, of which 18,372 were calls and 11,937 were puts. The FT-SE Index option traded 7,418 contracts, of which 4,155 were calls and 3,263 were puts.

The July 2,350 puts, at 1,133 contracts, was the busiest.

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied Lyons (*504)	500	34	48	65	16	25	29
	550	11	26	40	49	53	55
	600	4	14	–	99	100	–
ASDA (*117)	100	19	24	–	3	4½	–
	110	12	17½	20	5	8	10
	120	7	13	15	12	13	15
Brit. Airways (*209)	200	19	26	32	5	8	10
	220	8½	15	21	13	16	19
	240	3	7	13	31	31	32
SmKl Beecham A (*542)	500	58	75	–	7	12	–
	550	27	43	60	25	30	33
	600	9	23	38	60	62	65
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Utd. Biscuits (*354)	330	36	47	60	7	11	12
	360	17	27	40	20	23	26
	390	7	16	26	21	43	45
Unilever (*693)	650	71½	92½	–	10	14½	–
	700	32½	55½	75½	23	28½	31½
	750	12½	31½	49½	59	61	62½
Ultramar (*343)	330	30	43	50	11	15	20
	360	14	27	35	28	30	33
	390	6	–	–	52	–	–

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Brit Aero (*552)	500	58	72	92	4	13	20
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Abbey Nat. (*227)	220	15	22	28	7	10	14
	240	7	13	19	18	20	24
Amstrad (*66)	60	10	12½	15½	2	4½	10
	70	4	7	10	7	9	10
Barclays (*396)	390	18	32	–	15	20	–
	420	–	–	30	–	–	45
Blue Circle (*235)	220	24	31	39	4	8	9
	240	11	19	27	13	20	20
British Gas (*218)	200	23	31	35	2	3½	4½
	220	9	18	21	7½	9½	11
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

Hambros unveils £24.5m agreed offer for HATT

By David Owen

HAMBROS, the merchant banking group, yesterday unveiled a recommended offer for Hambros Advanced Technology Trust that values the specialised investment trust at some £24.5m.

The move came within three weeks of HATT's announcement that it had received an approach that might result in an offer being made. Hambros already controls 49.3 per cent of the shares.

The offer was made as HATT reported pre-tax profits doubled to £188,000 (£92,000) for the six months to March 31. Net asset value per share, by contrast, edged down from 123p to 120p.

A charge of £651,000 was made against the carrying value of the company's portfolio, following the complete write-off of two of its investments and the registering of "substantial" write downs against another two.

"While the overall value of the quoted holdings was relatively static, the continuing high level of interest rates in Britain has had a substantial impact on several of the earlier stage unquoted companies," the company said.

Hambros explained its bid for the high technology venture capital company in terms of tax ramifications arising from its status as a quoted investment trust.

This structure was unsuitable for distributing to shareholders profits arising from the sale of investments, the group said. "A proportion of the profits on the sale of these investments were subject to taxation on capital gains in the hands of HATT and the special dividend itself was then subject to further taxation on income in the hands of HATT shareholders," it elaborated.

A £12.5m cash payment relating to gains made on the company's holding in Vodafone was distributed to shareholders as a special dividend in a highly unusual move in 1989.

Some 16 months ago, Hambros bid £166m for Hambros Investment Trust in a disguised rights issue that raised about £100m for the bank. A Hambros spokesman described yesterday's offer as "more of a tidying-up."

The offer will be on the basis of 12 new ordinary shares for every 25 HATT units. A cash alternative of 120p is proposed.

To finance the cash alternative, Hoare Govett has undertaken to procure purchasers for up to 4.74m new Hambros shares at 250p, or to purchase them itself. Allowing for a further 509,000 new Hambros shares which may be issued to finance proposals made to HATT option-holders, some 5.25m new shares may be issued in connection with the offer, representing 2.3 per cent of the merchant bank's capital.

If the offer becomes unconditional, Hambros intends to dispose of HATT's quoted investments, using the proceeds to reduce borrowings and to expand its direct investment activities. The group said that it plans to invest up to £3m in a new high technology venture capital limited partnership.

Hambros shares dipped 5p yesterday on news of the deal to 258p. HATT climbed 8p to 117p.

Honorbilt dealings halted as losses arise

By Mani Deb

HONORBILT GROUP, the menswear designer and distributor listed on the Third Market, yesterday called a halt to dealings pending a clarification of its financial position. The shares were suspended at 2½p, valuing the company at £1.9m.

The directors blamed losses in the UK, mainly due to cash flow restrictions following the acquisition of the Gallini Group in September 1988, along with the difficult trading conditions and the high interest rates.

A writ for substantial damages, believed to be £5m, has been issued against Shelley Simmons Pinnick and Co, former auditors of Gallini who also acted as accountants to the group on the acquisition.

A spokesman for the accountants refused to say whether the writ would be contested.

Honorbilt has meanwhile postponed its planned flotation of Tomato in the US in September at a market capitalisation of \$28m-\$30m, because it could not give sufficient assurances to the US brokers regarding the stability of the UK operations.

The company spent \$11m on buying Tomato, the Californian clothing designer and distributor, last year, and this acquisition helped to raise pre-tax profits from £372,000 to £596,000 for the six months to the end of January 1990.

In view of the difficulties, the group is holding talks with its bankers, Midland Bank regarding the financial position, the statement added. Honorbilt declined to comment yesterday.

Alan Harper

Mr Glen Renfrew (right), managing director and chief executive, unveils the half-year results of Reuters Holdings, the financial information and news group, yesterday along with Mr Nigel Judah, finance director and company secretary.

Reuters saw its share price fall by 15 per cent after Mr Renfrew said cancellations of its screen-based services to the world's financial markets had increased. This was in spite of the fact that Reuters reported pre-tax profits up 23 per cent to £167m, with revenue up 26 per cent to £688m and earnings per share up also up 26 per cent to 25.9p.

Mr Rob Rowley, deputy finance director, said Reuters had seen a substantial increase in editorial costs as the company developed coverage of capital markets and company news and improved its reporting strength, particularly in eastern Europe.

Coloroll receivers sell Denby division to its management

By Maggie Urry

THE RECEIVERS of Coloroll, the home furnishings group which went into receivership early last month with debts of between £300m and £400m, have sold the Denby division to its management.

The sum involved was not disclosed, though it is believed to be between £5m and £10m. It is the first significant sale of a Coloroll business, Ernst & Young, the receivers said.

Mr Nigel Hamilton, one of the joint administrative receivers, said that there were a number of parties interested in virtually all the remaining Coloroll businesses. The furniture business was closed when the receivers were first called in. However, he said it was still very unlikely that shareholders in Coloroll would get any money back.

Denby, which makes tableware and employs 400 people at a single site in Denby, near Derby, was taken over by Coloroll in 1987, when it bought Crown House which also owned Edinburgh and Thomas Webb crystal and George Butler silverware.

In its latest year Denby made sales of £9.7m and was making nearly £1m in profits. A number of buyers were interested in Denby, which is a well-known brand name, but the management bid succeeded. The buy-out is backed by 3i, the venture capital group, with the management taking over 50 per cent of the equity.

When Denby was acquired by Coloroll it was loss-making and sales were declining. But since then its sales have grown substantially and the business has returned to profits, Mr Stephen Riley, who is heading the buy-out, said.

Mr Riley, who joined Denby 2½ years ago, said it was a fundamentally sound business which had begun to be affected by Coloroll's demise. He said that Coloroll had invested in new kilns at the plant over the last three years but had latterly had to clamp down on spending.

Denby is now working close to capacity, Mr Riley said, and about £4m would need to be spent in the next few years to expand production at the plant.

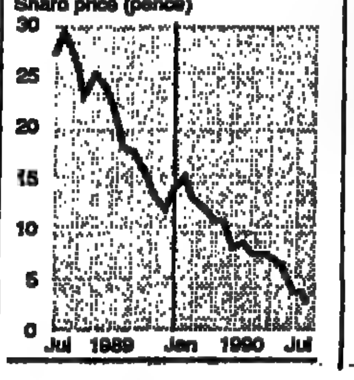
DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aitken Hume ......fin	1	Nov 1	0.5	1	0.5
Bensons Crisps §...int	0.6	Oct 1	0.6	-	2.25
Blacks Leisure ......fin	nil	-	0.1	0.05	0.15
Brit Bloodstock§......fin	6.3	Oct 8	5.5	6.8	8.8
Casket ....fin	0.1☆	Oct 1	nil	0.1	1.2
Murray Smaller ......fin	2.2		2	3.3	2.65
Radius § ....int	0.9	-	0.75	-	2.65
Reuters ....int	4.4	Sept 17	3.6	-	13
Wood (John D) § ....fin	0.7	Sept 27	0.5	2.2	2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆For nine months.

Honorbilt

Share price (pence)



Blacks Leisure drops to £1m and omits final

By Nigel Clark

PROBLEMS in its fashion and textiles side and higher interest charges left taxable profits at Blacks Leisure, the camping and sporting goods company, at £1.02m for the 53 weeks to March 3, less than half the £2.85m of the previous 12 months.

Fashion and textiles reported operating profits of £156,000, against £1.76m with Miss Sam and S Eker underperforming.

The board will not be recommending a final dividend leaving the total for the year at 0.05p, against 0.15p.

The accounting inaccuracies previously announced at Miss Sam resulted in the first half figures being overstated, said Mr Simon Bentley, chief executive, and an extraordinary charge of £132,000.

This amount was said to have included payments to or on behalf of Mr Stephen Morris, or related parties. Mr Morris, founder of Miss Sam, resigned as managing director at the end of May. At the time it was said he would be receiving no compensation.

Attributable profits for the previous year were also reduced by £167,000.

Mr Bentley said that the new structure at Miss Sam should ensure that the problems did not recur. "We are pleased to report the resumption of satisfactory profits at Miss Sam."

Group interest payable was £1.59m (£864,000). Since the year end SWJ, the menswear retailer and wholesaler, had been sold to management resulting in a reduction in borrowings.

Of the present year Mr Bentley said the company had been encouraged by the trading in the first three months. He said that management figures for the period showed profits of more than £1.3m before finance charges of £400,000.

Turnover for the period under review was £53.85m (£47.8m). After tax of £140,000 (£372,000) earnings per share were 3.83p (12p) or 3.28p fully diluted. The total net extraordinary charge was £541,000 (£261,000) which included the £366,000 costs of its aborted takeover of A Goldberg.

The shares closed at 45p, up 3p on the day.

Intrum Justitia pays £19.6m for CAS Group

By Clare Pearson

INTRUM JUSTITIA, the European debt recovery company, has followed up its listing on the London stock market last month with an announcement that it is paying £19.6m to buy CAS Group, a UK consumer debt collection agency.

CAS made pre-tax profits of £2.58m (£1.53m) on turnover of £14.6m (£10.6m) in the year to the end of December 1989. Intrum says it has a "blue chip" list including seven out of the UK's top 10 banks, five out of the 10 leading building societies and major mail order, credit card and rental companies.

The acquisition is being partially financed through a vendor placing of up to 5m shares at 81p. Last month, Intrum, at the same price per share, placed 14 per cent of its then-enlarged equity, giving it a market capitalisation of £83m.

Intrum, which operates in 13 countries, already has one UK operation: Unicol, a London-based debt recovery and export insurance concern.

Casket incurs £3m loss and confirms HQ sale

By David Owen

CASKET, the clothing, leisure products and home furnishings group, yesterday revealed hefty losses for the nine months to March 31 and confirmed that the £1.15m sale of of its Gorse Mill headquarters had been completed.

The group, which in February rescued the venerable British Eagle Cycles from the clutches of the Receiver, is in the throes of a far-reaching restructuring under new management. It said that it had traded on budget in the first three months of the current year.

Pre-tax losses for the period just ended totalled £3.17m, including a £1.6m exceptional item, versus a slim profit of £529,000 for the year to June 30, 1989.

The charge related to the reduction of "excessive" stock levels and the reorganisation of certain textiles and clothing operations. Turnover amounted to £68.2m, against £95.6m.

In addition, extraordinary losses of £2.01m (£507,000) were recorded in respect of the disposal and closure of non-core activities.

This swelled the retained loss for the latest period to £5.56m and took the loss per ordinary share to 9.3p, compared with earnings of 0.7p.

The payment of a "nominal" final dividend of 0.1p (nil) was recommended, making a total of 0.1p (1.2p). This payment will not, however, be made in respect of shares issued in accordance with Casket's one-for-one rights issue in May.

The shares were unchanged at 17½p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Aegis, Greenwich Resources, Hepworth, LASMO, LGW, SEP Industrial.

Finals- Beta Global Emerging Markets, Budgens, Eve, Goode Durrant, LGW, Lazard Select Inv, Mitys, Northumber, Savills.

FUTURE DATES

Interims-

AED	Aug. 30
Automated Security	July 30
Cadbury Schweppes	Aug. 29
EBC	Aug. 21
Grahams Rintoul Inv	July 30
STC	July 30
Standard Chartered	Aug. 8
Victaulic	Aug. 22
Wales City of London Prop	Aug. 8
Whitegate Leisure	July 31

Finals-

Cook (DC)	Aug. 8
Cooper Clarke	July 30
Crown Eyeglass	Aug. 7
Hughes Food	Aug. 8
London & New York Conv	Aug. 2
McKay Securities	Aug. 7
Southend Property	July 28

GENERALI

1989 HIGHLIGHTS

(000 US\$) *	1989	1988
Premiums written	4,333,452	3,931,987
Premiums ceded	– 584,094	– 545,827
Net premiums	3,749,358	3,386,160
Net investment income	857,444	726,316
Technical interest allocated to Life funds	– 461,196	– 374,549
Insurance underwriting result	– 139,964	– 84,766
Sundry income and expenditure	4,440	– 35,740
Operating profit	260,724	231,261
Profit on sale of properties and securities	179,380	152,647
Unrealized capital losses on securities	– 62,279	– 50,067
Taxes	– 70,721	– 66,168
Total other items	46,380	36,412
Profit for the year	307,104	267,673

* All of above listed figures have been converted at the rate of exchange of Lire 1,270.5 to the US\$.

- Gross premiums written by the Company totalled US\$ 4,333.5m (+12.1% over the previous year, at equal rates of exchange); the Life department contributed US\$ 1,669.7m and the Non-Life business US\$ 2,663.8m.
- Total investments reached US\$ 11,242.7m showing a growth of 12.6%.
- Net investment income totalled US\$ 857.4m showing a growth of 18.1%. The average yield has been 8.1%. Realized capital gains generated from the sale of securities amounted to US\$ 128.1m and from the sale of properties to US\$ 51.3m.
- The profit for the year amounted to US\$ 307.1m (+14.7% over the previous year); from this profit an amount of US\$ 160.2m has been allocated to the reserves, of which US\$ 99m increased the "Extraordinary Reserve".
- The participations in insurance companies have been revalued by US\$ 70.9m; this amount has been carried to the corresponding reserve.

Profit per share (US\$)	1989	1988
Profit	0.579	0.505
Dividend	0.275	0.260
Pay-out ratio (per cent)	48	51

- The shareholders' surplus including the year's profit reached US\$ 2,642m showing an increase of US\$ 251.1m over the previous year.
- Dividend per share is US\$ 0.275 showing an increase of 6.1% over 1988.
- The Meeting decided to increase the Company's capital from Lire 1,060 billion to Lire 1,166 billion through the issue of bonus shares to be assigned to the shareholders in the proportion of 1 new share for every 10 held; the new shares are dividend bearing as from 1.1.1990.
- The Extraordinary General Meeting approved the merger of the fully-owned property subsidiary Genedil S.p.A. into Assicurazioni Generali S.p.A.

Head Office in Trieste (Italy)

GENERALI
Assicurazioni Generali

1989 CONSOLIDATED STATEMENT

ASSETS (000\$) *	1989	1988
Building and farm property	4,077,887	3,829,477
Fixed-interest securities	13,758,079	12,021,529
Shares (including Associates)	4,338,287	3,765,164
Mortgage and policy loans	1,380,100	1,174,279
Deposits with Ceding Companies	508,616	507,813
Bank deposits	1,122,940	951,839
Accounts receivable and other assets	3,204,098	2,884,535
Total	28,390,007	25,134,636

LIABILITIES (000 US\$) *	1989	1988
Provisions for insurance liabilities	21,806,247	19,069,716
Reinsurance deposits	242,094	217,639
Other liabilities	2,062,998	2,012,793
Minority shareholders' interest	409,837	349,878
Shareholders' surplus	3,417,314	3,082,786
Profit for the year	451,517	401,824
Total	28,390,007	25,134,636

- This statement consolidates 68 insurance companies operating in some forty markets, (including 7 Europ Assistance companies), 21 financial, 28 property and 3 agricultural companies where Generali directly or indirectly holds more than 50% of the shares.
- Gross premiums amount to US\$ 9,424.6m (+10,1%), of which US\$ 3,295.8m is for Life and US\$ 6,128.8m for Non-Life. The geographical breakdown is as follows: Italy 37.9%; other EEC Countries 41%; rest of Europe 17.9%; rest of the world 3.2%.
- Investments total US\$ 25,185.9m (+13.2%).
- Investment income amounts to US\$ 1,959m (+14.7%) of which 64.8% is produced by fixed-interest securities, 15.5% by property, 8.5% by shares, 4.6% by bank deposits and 6.6% by other investments.
- The provisions for insurance liabilities amount to US\$ 21,806.2m (+14.4%).
- The shareholders' surplus amounts to US\$ 3,768.3m and 90.7% belongs to the Parent Company, the minority interest being 9.3%.
- The profit for the year increased by 12.4% to US\$ 451.5m and originated from:

(000 US\$) *	1989	1988
Parent Company's profit	307,104	267,673
Profit of the other Companies	272,008	221,573
Consolidation adjustments	– 68,705	– 38,686
Consolidated profit	510,402	450,560
Minority interest	– 58,885	– 48,736
Profit for the year	451,517	401,824

Parent Company: Assicurazioni Generali

GENERALI

PCO FINANCE LIMITED

£28,000,000

8 per cent. Convertible Capital Bonds due 2005 guaranteed on a subordinated basis by

PREMIER CONSOLIDATED OILFIELDS plc

and convertible into 2 per cent. Exchangeable Redeemable Preference Shares of the issuer and exchangeable for Ordinary Shares in the guarantor.

ADJUSTMENT OF EXCHANGE PRICE

Notice is hereby given that following the capitalisation issue of Ordinary Shares made by Premier Consolidated Oilfields plc at the rate of one share for every ten shares held, the Exchange Price of the Convertible Capital Bonds has, in accordance with the Trust Deed dated 28 February 1990, been adjusted from £1.32 pence to £1.20 pence with effect from 25 July 1990

July 1990

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Christies growth slows but sales pass £1.3bn

By Clare Pearson

DIMINISHED demand for Impressionist and modern art did not prevent sales of Christies International, the auction house, passing the $2bn (£1.1bn) mark for the first time during the season ending this month.

In the period from August last year, worldwide sales rose 40 per cent to $2.38bn (over £1.3bn). The advance was, however, slower than the previous season's 63 per cent increase.

Lord Carrington, chairman, said: "Sales of Impressionist and modern art are still strong, but with expectations higher than ever, overpriced items are not selling as well.

"Buyers are spreading their interests into the less explored areas of the art market. . . such as Old Master pictures, furniture, jewellery and silver."

During the spring in London, a Florentine cabinet made for Badminton House fetched £8.58m, a far higher price than previously achieved for a piece of furniture.

Nevertheless, continued selective demand for Impressionist paintings was underlined in New York in May when Christies shattered all records with the sale of Van Gogh's portrait of his physician, Dr Gachet, for £48.8m.

Lord Carrington said a major Van Gogh still life had been consigned for sale in New York in November.

Worldwide, 247 works of art sold for more than $1m each, against 147 in the previous season. New York sales increased by 48 per cent to £767m.

At the main London auction house, they were up 39 per cent to £470m. Substantial advances were also achieved by the European and Hong Kong operations.

● Phillips, the smaller auction house, said it had lifted sales by 17 per cent to £118.27m (£101.1m) in the year to end-July. Among the highlights, Phillips' Edinburgh branch set a new record for the sale of a golf ball: one went for £8,800.

Radius advances to £1.4m

RADIUS, USM-quoted computer systems group, lifted its pre-tax profit by 37 per cent, from £1.02m to £1.39m, in the six months ended May 31 1990.

That was obviously welcome, said Mr Edward Sharp, the chairman, but he was more pleased about the underlying factors which brought that about.

Trading conditions were difficult, but the group was seeing the benefits of its continuing business improvement and product development programmes at a particularly opportune time.

He said the result, together with order book positions, indicated a full year improvement in each operating subsidiary. He expected the year to yield a satisfactory result and that the group would be set for sustained expansion and a continually improving financial performance thereafter.

Turnover in the half year rose 8 per cent to £14.52m (£13.44m). Earnings per share were 3.2p (2.5p); the interim dividend is lifted to 0.9p (0.75p) and a total of 2.7p (2.65p) is expected.

Bensons Crisps profits decline to £300,000

Despite a 25 per cent increase in sales, Bensons Crisps has seen its pre-tax profit decline from £321,000 to £304,000 in the half year ended May 26 1990.

Mr Malcolm Jones, chairman of this USM-quoted company, said net margins fell from 3.8 to 3 per cent. Apart from fierce competition in the crisps and snack market, there were difficulties in absorbing higher volumes in the South Wales factory which led to production inefficiencies.

Sales came to £10.22m (£8.17m) and reflected major gains in private label business and continued growth in niche markets.

The trading climate remained difficult but significant sales gains had been made. Earnings per share in the half were again 2.8p, and the interim dividend is held at 0.6p.

Trevor Humphries

David Hardy, chairman (standing), and his fellow Globe directors at yesterday's emotional annual meeting

Nostalgia and bitter mix at Globe AGM

MR DAVID HARDY, chairman, and other directors bade farewell to Globe Investment Trust at an emotional AGM yesterday, writes Clare Pearson.

Nostalgia blended with bitterness at the meeting, which followed the recent successful outcome of a £1.1bn hostile bid for the trust mounted by the British Coal Pension Funds.

Mr Godfrey Chandler, the Globe director who is refusing to accept BCPF's offer in respect of his shares, took the opportunity to criticise the Government for countenancing the pension fund's "exploitation" of its special tax advantages in making the bid.

"I do not think the Government anticipated such funds carrying out financial rape when it gave them the tax concessions," he said.

Mr Chandler said he would go if necessary to the European court to defend his right to hold on to his shares. BCPF now speaks for 82 per cent of the equity.

Four directors are staying on at Globe "for the moment", Mr Hardy said. These are Mr Michael Stoddart and Mr Michael Morley, non-executives, who intend to look after the interests of staff and minority shareholders, and two executives, Mr David Gregson and Mr James West, while control is transferred to BCPF.

Another director, Mr Neil Young, has joined the board of Malvern Index Trust, a tracker fund being launched as an alternative equity investment for Globe investors who wish to defer their capital gains tax liability.

A number of private shareholders said Mr Hardy had done a "tremendous job". Mr Chandler went so far as to compare Mr Hardy's position to that of Sir Winston Churchill in 1945. "He has done a tremendous job for five years, only he gets sacked," he said.

John Wood recovery with £0.43m

By Clare Pearson

PRE-TAX profits of John D Wood, the USM-quoted residential estate agency, showed some recovery from £257,000 to £425,000 in the year ended April 30 1990 on a 4 per cent fall in turnover from £5.38m to £5.17m.

There was also an extraordinary credit of £154,000 from the sale and leaseback of the freehold interest in the Lymington office.

A final dividend of 0.7p, making 2.2p (2p) for the year, is being recommended. Earnings per share stood at 3.2p (1.7p).

Mr George Pope, joint chairman, said activity in the residential property market remained depressed throughout the period.

However, he had detected some improvement in the London housing market at the start of the current calendar year.

"We saw the return of the first-time buyer in Battersea – an area which I regard as a barometer of the market – as well as Wandsworth in January and February," he said.

John D Wood's eight London estate agents' offices have little direct involvement with first time buying, but the increased activity was providing a boost further up the ladder, he said.

The company fell into loss during the second half of the previous financial year as the malaise in the housing market set in.

The lettings and management part of the business was being expanded.

This activity increased turnover by 21 per cent to £489,000 during the year while profitability rose by £46,000 to £59,000.

Mr Pope said the agricultural department had a successful year, greatly enhanced by the opening of a new office in Chelmsford last May, and additional representation in Winchester and Oxford.

In the related country house sales area, a new office in Oxford was opened and an office in Chippenham was relocated to Malmesbury.

Deferred consideration to the vendor of the lettings and management business is to be paid by an issue of 500,000 shares at 70p each.

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

(Incorporated in The Republic of South Africa)

Registration No. 01/05309/06

NOTICE OF SEPARATE CLASS MEETING OF PREFERRED STOCKHOLDERS AND THEN A GENERAL MEETING

Notice is hereby given that

(a) a meeting of the holders of the six per cent cumulative preferred stock in Anglo American Corporation of South Africa Limited will be held at 44 Main Street, Johannesburg on Thursday, 16 August 1990 at 10.10 or immediately following the conclusion of the annual general meeting which is to commence at 10.00 on the same day, whichever is the later, for the purpose of considering and, if deemed fit, of passing with or without modification, the following resolution:

'Resolved as a resolution passed as a special resolution as contemplated in article 58(b) of the Corporation's articles of association that the modification of the rights, privileges and conditions attaching to the six per cent cumulative preferred stock units of R1 each in the Corporation by special resolutions Nos.1 and 2 proposed in terms of paragraph (b) of the notice convening this meeting, be and it is hereby sanctioned.'

(b) a general meeting of members of Anglo American Corporation of South Africa Limited will be held at 44 Main Street, Johannesburg on Thursday, 16 August 1990 at 10.15 or immediately following the conclusion on that day of the business of the separate class meeting, whichever is the later, for the purpose of considering and, if deemed fit, of passing with or without modification, the following special resolutions, namely:

Special Resolution No.1

'That subject to the passing of the resolution proposed in terms of paragraph (a) of the notice convening this meeting and pursuant to the provisions of article 57(c) of the Corporation's articles of association, all of the authorised 4 758 750 six per cent cumulative preferred stock units of R1 each, all of which have been issued, be and they are hereby converted into six per cent cumulative redeemable preferred stock units of R1 each on the terms and conditions contained in paragraph (A) of article 3 bis.'

Special Resolution No.2

'That subject to the passing and registration of special resolution No.1 proposed in terms of the notice convening this meeting, and simultaneously with such registration, paragraph (A) of article 3 bis of the articles of association of the Corporation is hereby deleted and the following new paragraph (A) substituted therefore:

"(A) The following rights, privileges and conditions shall be attached to each of the 4 758 750 six per cent cumulative redeemable preferred stock units of R1 each ("the preferred stock"):

(a) The right to receive out of the profits of the Company determined to be distributed, a fixed cumulative preferential dividend at the rate of six per cent per annum on the capital for the time being paid up or credited as paid up thereon in priority to any payment of dividend on the ordinary shares and S ordinary shares in the capital of the Company, which dividend shall be paid on 30 June and 31 December in each year in respect of the periods ending on those dates. The first preferential dividend shall be reckoned in respect of each stock unit from 1 July 1990.

(b) The right, in a winding-up of the Company to a return of capital paid up or credited as paid thereon, together with payment of all arrears and accruals of the fixed cumulative preferential dividend (whether earned or declared or not) down to the date of commencement of the winding-up, in priority to the ordinary shares and S ordinary shares but with no further right to participate in the profits or assets of the Company.

(c) The right of the holders of the preferred stock to receive notice of and to be present at any general meeting of the Company, but not to vote thereat, unless:

(i) the preference dividend shall remain unpaid for six months after any date fixed for the payment thereof and/or

(ii) any resolution is proposed directly affecting the rights or privileges attaching to the preferred stock including a resolution to reduce the Company's capital in any way, or to place the Company in liquidation.

In any of these events, each unit of preferred stock shall, on a poll, carry ten votes.

(d) No other capital ranking in priority to or pari passu with the preferred stock shall be created without the sanction of a resolution passed at a separate general meeting of the holders of the preferred stock in terms of article 58(b).

(e) The preferred stock shall be redeemed by the payment by the Company to the holders thereof of the sum of 60 cents in respect of each such unit of preferred stock, together with payment of all arrears and accruals of the fixed cumulative preferential dividend (whether earned or declared or not) down to the date fixed for redemption. Such date shall be 3 September 1990 or such other date determined by the directors being a date not more than 30 days thereafter. An amount equal to the par value of the preferred stock units so redeemed shall be transferred to a capital redemption reserve fund.

(f) On and after the date fixed for redemption the preferred stock units shall confer no rights in favour of the holders thereof other than the right to claim the redemption proceeds and the dividend referred to in sub-article (e) hereof.

(g) The rights for the time being attached to the preferred stock may be modified, amended or dealt with in the manner mentioned in clause 58 (b) of the articles of association, but not otherwise."

Special Resolution No.3

'That subject to the passing and registration of special resolutions Nos.1 and 2 proposed in terms of the notice convening this meeting, and pursuant to the provisions of articles 51 and 57(c) of the articles of association of the Corporation and with effect from the date fixed for redemption of the R4 758 750 six per cent cumulative redeemable preferred stock ("the preferred stock"), each R1 unit of the preferred stock be and it is hereby sub-divided into 10 preferred stock units of 10 cents each and immediately thereafter each sub-divided stock unit be and it is hereby converted into one S ordinary share of 10 cents ranking pari passu in all respects with the existing S ordinary shares.'

Special Resolution No.4

'That subject to the passing and registration of special resolutions Nos.1, 2 and 3 proposed in terms of the notice convening this meeting, and with effect from the date fixed for redemption of the R4 758 750 six per cent cumulative redeemable preferred stock, the articles of association submitted to this meeting and initialled by the Chairman for purposes of identification be and they are hereby adopted as the articles of association of the Corporation to the exclusion of and in substitution for its existing articles of association.'

Ordinary Resolution No.1

'That subject to the passing and registration of special resolutions Nos.1, 2 and 3 proposed in terms of the notice convening this meeting, and simultaneously with such registration, the directors are hereby authorised to allot and issue, after providing for the allotment and issue of shares in terms of the share incentive scheme and the group employee shareholder scheme, the remaining unissued shares in the capital of the Corporation in their discretion in terms of and subject to the provisions of the Companies Act, 1973, as amended.'

Ordinary Resolution No.2

'That the share incentive scheme ("the Scheme") approved by resolution of the members of the Corporation at the general meeting held on 24 May 1974, and amended from time to time, is hereby further amended as follows:

(1) The definition of "Option" is amended by the insertion after the word "purchase", of the words "or subscribe for".

(2) Clause 3. is amended by the insertion, after the word "purchase", of the words "or subscribe for".

(3) Clause 4. (1)(b) is amended by the insertion, after the word "purchase", of the words "or subscribe for".

(4) Clause 4. (2)(b) is amended by the insertion at the beginning thereof, of the words "Except as provided in proviso (c) to Clause 5. (2),".

(5) Clause 5. (2) is amended by the addition of the following provisos, the existing proviso being numbered (a):

"(b) Provided further that a Participant may elect to accept an Offer made to him by the Trustees at the direction of the board, within the period stipulated in such Offer, to sell his Scheme shares back to the Trustees at a price equal to the price at which such shares were purchased by him from the Trustees, the purchase price being set off against the amount then owing by the Participant, or to obtain a release of his Scheme shares against payment therefore;

(c) Provided further that any Participant who shall have accepted an Offer pursuant to proviso (b) and to whom a subsequent Offer is made or to whom an Option is granted in terms of Clause 4 shall be entitled to have the Scheme shares so acquired released or to exercise the Option so granted in the same percentages and after the same periods referred to in proviso (a), but determined from the date on which the Scheme shares sold back to the Trustees or so released consequent upon the acceptance of an Offer made in terms of proviso (b) were originally acquired by him, and such date shall for the purposes of Clause 6. (2) be deemed to be the date of acceptance of the Offer or the date of the grant of the Option as the case may be. Any such subsequent Offer or grant of an Option, if it is in substitution for the Scheme shares so sold back to the Trustees, shall be made at the greater of the Prevailing Market Price then applicable or the price at which the said Scheme shares were originally acquired by him."

(6) Clause 7. (2) is amended by the insertion after the word "and" where it occurs for the second time, of the words, "save only to the extent contemplated by provisos (b) and (c) to Clause 5. (2),".'

Ordinary Resolution No. 3

'The Corporation shall allot and issue shares of the Corporation to any person who exercises an Option granted to him pursuant to the share incentive scheme to subscribe for shares in the Corporation in the number and at the price at which such Option is exercised.'

The reason for proposing the resolution to be considered at the separate meeting of holders of the preferred stock is to obtain the consent of those holders to the amendment of the rights attaching to their stock units.

The reasons for proposing the special resolutions at the general meeting of members are to provide for the redemption of the preferred stock and to include the redemption terms in the articles of association, to allow for the sub-division of the authorised preferred stock units of R1 each into preferred stock units of 10 cents each followed by the conversion of such stock units into S ordinary shares of 10 cents each and then to adopt new articles of association for the Corporation. The effects of the special resolutions will be to achieve these objectives.

Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at any general meeting of the Corporation must comply with the regulations of the Corporation under which share warrants to bearer are issued.

A member entitled to attend and vote at the separate class meeting of preferred stockholders and/or the general meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his stead. A proxy need not be a member of the Corporation.

Forms of proxy to enable stockholders and other members to vote for or against the resolutions or to abstain from voting were posted to registered holders on 25 July 1990, together with copies of a circular to stockholders and other members. Proxy forms must be lodged with the Corporation's share transfer secretaries by not later than the times indicated thereon. Completion of a form of proxy will not preclude a stockholder or other member from attending the relevant meeting.

By order of the board
C L MALTBY
Secretary

25 July 1990

Registered office:
44 Main Street
Johannesburg 2001
(PO Box 61587, Marshalltown 2107)

London office:
40 Holborn Viaduct
London EC1P 1AJ

Share transfer secretaries:
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
Johannesburg 2001
(PO Box 61051, Marshalltown 2107)

Barclays Registrars Limited
6 Greencoat Place
London SW1P 1PL

aac

WORLD RAILWAYS & RAPID TRANSIT SYSTEMS

The Financial Times proposes to publish this survey on:

17th September 1990

For a full editorial synopsis and advertisement details, please contact

Nevilla Woodcock on 071 873 3365

or write to him at :

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SE1 9HL

TDK CORPORATION CDR'S

The undersigned announces that as from August 3, 1990 at Kas-Associatie N.V., Spuistraat 172, Amsterdam, div. cp. no. 32 (accompanied by an "Affidavit") of the CDRs TDK Corporation will be payable with Dfls. 22,41 net. per DCR, repr. 100 shs. and with Dfls. 224,10 net per CDR, repr. 1,000 shs.
(rec-date 30.03.90; gross Yen 21,– p.sh.)
Yen 315,– Dfls. 3,35 per CDR, repr. 100shs.,
Yen 3,150,– Dfls 33,50 per CDR, repr. 1,000 shs.,
Without an Affidavit 20% Jap. tax =
Yen 420,– Dfls. 6,27 per CDR; repr. 100shs
Yen 4,200,– Dfls. 62,70 per CDR, repr. 1,000shs
will be deducted. After 30.03.90 the div. will only be paid under deduction of 20% Jap. tax with resp. Dfls. 21,09; Dfls. 210,90 net per CDR repr. resp. 100 and 1,000 shs. each, in accordance with Japanese tax regulations.

Amsterdam, 20 July 1990

AMSTERDAM DEPOSITARY COMPANY N.V.

BANK OF MONTREAL
(A Canadian Chartered Bank)

US$250,000,000
Floating rate debentures, series 10, due 1998
(Subordinated to deposits and other liabilities)

Interest rate for the period 25th July, 1990 to 25th January, 1991 has been fixed at 8.2375%. The amount payable on 25th January, 1991 will be US$421.03 against coupon No. 9.

Agent: Morgan Guaranty Trust Company

JPMorgan

BRITANNIA BUILDING SOCIETY

£150,000,000
Floating Rate Notes Due 1996

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three months Interest Period from (and including) 24th July, 1990 to (but excluding) 24th October, 1990, the Notes will carry a rate of interest of 15⅛ per cent. per annum. The relevant Interest Payment Date will be 24th October, 1990. The Coupon Amount per £10,000 will be £380.60 payable against surrender of Coupon No: 16

Hambros Bank Limited
Agent Bank

THE COMMISSIONERS OF THE STATE BANK OF VICTORIA US$ 300,000,000 GUARANTEED FLOATING RATE NOTES DUE 1996

In accordance with the description of the Notes, notice is hereby given that for the interest period from July 25, 1990 to January 25, 1991 the Notes will carry an interest rate of 8.0625% per annum.

The interest payable on the relevant Interest Payment Date, January 25, 1991 against coupon n°9 will be US$ 412.08 per Note of US$ 10,000 nominal and US$ 10,302.08 per Note of US$ 250,000 nominal.

THE AGENT BANK

MB

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UK COMPANY NEWS-ICL/FUJITSU

Alan Cane meets Robb Wilmot, former managing director of ICL, and considers the consolidation of European computer services

Systems integration holds key

Trevor Humphries

Robb Wilmot: ICL will grow faster and make better profits than if it had stayed with STC

THE PLAN to sell a majority stake in ICL, the computer arm of STC and Britain's only mainframe computer manufacturer, to Fujitsu of Japan is strongly endorsed by Mr Robb Wilmot, ICL's managing director in the critical years between 1981 and 1984, and architect of the 1981 technology agreement with Fujitsu which secured ICL's future.

He sees a powerful parallel between the pressures which brought about the 1981 agreement and the forces which led the STC board to approve the sale of its crown jewel. He argues that the computer industry has changed so dramatically in the past few years that only a deal of the kind STC has struck with Fujitsu can now guarantee ICL's future.

Mr Wilmot's earlier experiences with Fujitsu give him confidence the Japanese company will prove a good parent: "Most mergers fail, but in this case you know it will work" he said yesterday. "ICL will grow faster and make better profits than if it stayed with STC. I believe Fujitsu will be a good home for ICL."

The Fujitsu deal, however, means the end of hopes that a group of Europe's small, precarious computer makers could be welded together to challenge the US and Japan.

ICL, Mr Wilmot revealed, had been engaged in talks over the past decade with Nixdorf of West Germany and Olivetti of Italy. "There have been continuous discussions over whether it would be possible to put two of the three together and then entice the third to join to form a company with critical mass to concentrate on system integration. That was my preferred solution," he said.

The grand design failed because of the kind of squabbles that often bedevil attempts at pan European collaboration. None of the potential partners could agree about who would take over whom, or where control would reside. Nixdorf's failure last year and its rescue by Siemens was a further nail in the coffin of the "pan European computer company".

Since leaving ICL, Mr Wilmot has concentrated on a broad spectrum of entrepreneurial ventures – including ES2, a custom chip manufacturer, Poquet, US-based hand-held computer maker and Oasis, the information technology consultancy. He made it clear that he has not been privy to the discussions which led ICL's board to give interim approval to the Fujitsu takeover. He has, however, a profound grasp of technical strategy, an ability which was "unique in a managing director of ICL at any time" according to Martin Campbell-Kelly, ICL's official historian. He now argues that the industry conditions which made it right for ICL to strike only a technology agreement with Fujitsu in 1981 and continue to compete on its own have changed completely.

He says that three factors - the precipitous fall in the real cost of computing power, the advent of open (or industry standard) systems and the growing importance of systems integration in vertical markets - are changing the nature of the game irrevocably.

Mr Wilmot sees a congruity between the 1981 technology agreement – something he describes as a "win/win" situation – and the sale of ICL to Fujitsu today.

"If I were running ICL today, I would be struggling to work out how to find an empathetic parent to sponsor the company's development as a systems integrator," he says. Fujitsu, he thinks, will be just such a parent, giving both companies the opportunity of a second win.

In 1981, ICL desperately needed to spend research and development money it could not afford in order to create the microchips needed for its new generation of mainframe computers, the successful "Estrielle" range. The deal Mr Wilmot struck with Mr Shiro Yoshikawa, head of Fujitsu's international division, gave ICL access to Fujitsu's technology – which cost around $1bn to develop – after it had been tried and tested by the Japanese company.

Through the deal, ICL saved mainframe research and development dollars which it ploughed into building up its expertise in mid-range computers and open systems. Fujitsu profited from sales of at least another 1,000 machines which gave it powerful economies of scale in its manufacturing operations.

It was selling much more than microprocessor chips to ICL; the technology involved printed circuit boards, cooling systems, power supplies and so on. They are highly expensive to develop and of use only for building top of the line main frame computers. Such components are not listed in any manufacturer's catalogue. Computer manufacturers build them themselves or make technology agreements to obtain them.

IBM, which still produces over 50 per cent of the world's mainframe computers, sets the standard for economies of scale in the production of these components. Competitors have to try to match these standards. For Fujitsu, the extra production funnelled through ICL and Amdahl, the US mainframe manufacturer with which the Japanese company has a business partnership, had a tremendous commercial impact.

The rationale today for selling ICL to Fujitsu also turns around economies of scale, Mr Wilmot says, but the argument this time is considerably more sophisticated. It turns on his conviction that systems integration is not simply an industry buzz word but the most important strategic issue in the computer industry today.

How systems integration is defined depends on who you talk to, but essentially it means solving a customer's business problem by putting together the best combination of hardware and software. It includes building special software "tools" to help develop computer programs for specific industries.

The development of such "tools" is difficult, expensive and requires a range of skills that are in short supply. Mr Wilmot says he is weary of the argument that ICL needs a partner to help defray the costs of mainframe development; it is systems integration R&D that will cost real money.

Computers themselves, because of the power of modern microchips, are becoming cheap to develop. A US company is developing a four microprocessor kit that will be as powerful as a medium sized mainframe: "I could build that into a system in my garage," Mr Wilmot sniffs.

"Systems integration is not a matter of selling programmers at £300 a day to write systems. It is building the tools and techniques to do the job better than your competitors."

Some of the funds ICL saved through its technology association with Fujitsu was spent on developing its skills at systems integration in vertical markets – retail, where it leads the UK market and has a solid foot hold in the US, manufacturing and health.

"ICL has not done as well as I would have hoped," Dr Wilmot says. "But it has done it better than its competitors. It takes at least five years to turn a computer maker into a systems integrator no matter how hard you try, or how much you spend".

Japanese manufacturers have hardly started on the systems integration path, so ICL's expertise will be invaluable to Fujitsu. ICL, on the other hand, needs experience of working for the large, technologically sophisticated US companies like American Express or Citicorp to hone its systems integration skills.

Systems integration is becoming a global business, according to Mr Wilmot, and the Europeans are in danger of ceding the opportunity to the major US players like EDS and Arthur Andersen. Fujitsu understands the opportunity, Mr Wilmot thinks, while STC displays only its characteristic conservatism: "I'm sure the STC board was not prepared to underwrite Peter Bonfield's (ICL chief executive) ambitions in the US," he concludes.

A new round of frenetic mergers forecast

THE EUROPEAN computing services business continues to consolidate as companies seek to achieve critical mass and distribution channels through mergers and acquisitions.

The latest example, the takeover of Hoskyns of the UK by Cap Gemini Sogeti of France, Europe's largest computing services organisation, will produce an organisation with sales, at 1989 prices, of almost $1.5bn (£802.05m)

The sale of Hoskyns, one of the UK's most successful software houses with an unbroken record of producing increases in earnings per share year on year had been seen as a signpost for the way things were developing in the European industry.

Hoskyns was put on the market at the beginning of the year by its joint owners, Siemens of West Germany and GEC of the UK as a product of the rationalisation undertaken by the two companies following their purchase of Plessey.

At the outset, there were expectations of a large price tag - probably in excess of £300m. The company - and its owners - were, however, choosy about its suitors. Mr Geoffrey Unwin, Hoskyns executive chairman, set out a long list of criteria which a successful bidder would require.

While the bidding continued, however, the outlook for computing services darkened as the sector moved into recession.

There were fears that as long as the company remained unsold it would raise questions in buyers' minds about the true value of computing services companies - something the financial community has found difficult to quantify.

Now that Hoskyns looks like being sold for a good price - CGS is offering about £200m for 70 per cent of the company - attention is likely to focus on other potential acquisitions, including Logica, the largest independent computing services company, and a 25 per cent BAe stake in SD-Scicon. BAe has yet to indicate whether it will sell the stake or make a bid for the entire SD-Scicon group.

It opens the prospect of a new round of frenetic merger and acquisition activity. The total value of merger and acquisition among UK information services companies in the first six months of 1990 increased by 21 per cent to £248m over the corresponding period in 1989 according to Broadview Associates, a financial adviser specialising in computing services.

Mr Keith Harpham, a Broadview director, said the growth was achieved despite the absence of very large deals. The largest deal in the period was the acquisition by Lucas Industries of Metier Management Systems for £40m.

Last November, by comparison, AT&T, the US telecommunications group, bought Istel of the UK for £180m.

According to Broadview about 70 per cent of the transaction were priced at less than £5m. Mr Harpham said: "This represents a noticeable increase for this category over the corresponding period last years, and will probably be the main area of activity for the rest of the year.

Broadview also recognised that the momentum behind cross-border deals was growing throughout Europe. Mr Brian Mercer of Broadview said: "With the announcement this week of CGS's offer for Hoskyns and its acquisition of SD-Scicon's German subsidiary, we are seeing the European industry take another step towards consolidation."

"As a result of the positive economic conditions elsewhere in Europe we expect the pace to grow during the second half of the year as US and European companies compete to stake out leading pan-European positions."

A problem in analysing the computing services sector is its heterogeneity. Computing services cover a broad range of activities from bespoke software and software packages to systems integration, consultancy and third party maintenance.

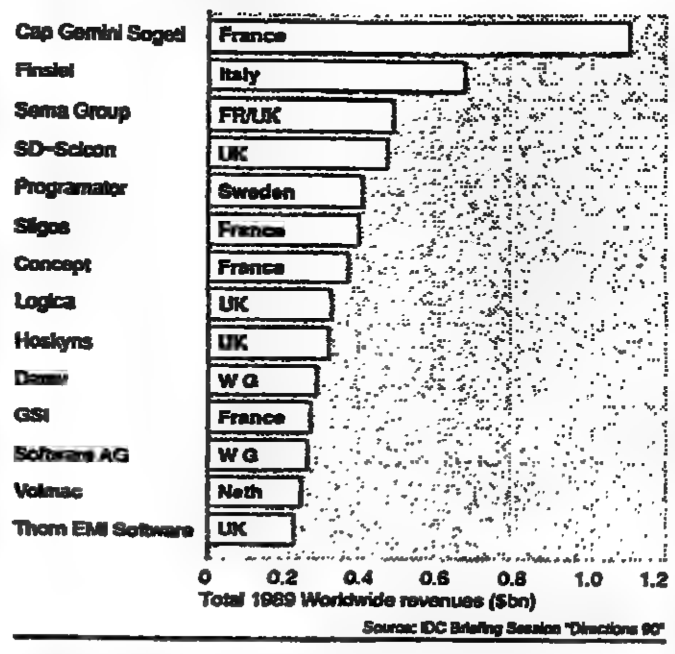
US companies, for example, dominate the market for packaged software, prewritten programs that can be used for generic purposes such as payroll or personnel records by a wide range of companies.

The principal prize, however, is seen as domination of the market for systems integration, a relatively new discipline in which success depends on the ability to understand a customer's business, its problems and how to put together the best hardware and software.

Increasingly, computer manufacturers are moving into systems integration, with varying degrees of success, in a move to support revenues hit by the falling cost of hardware and savage competition.

Against this background, Fujitsu's bid for ICL has an added significance. ICL has several years of experience in systems integration and a good track record.

Top European owned software & services vendors



Source: IDC Briefing Session "Directions 90"

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The ECU Trust plc

(Incorporated and registered in England and Wales under the Companies 1985 — Registered No. 2503858)

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Share Capital

Authorised		*Issued and now being issued fully paid*
£4,500,000	in Ordinary Shares of 10p each	£3,000,000

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Robert Fleming & Co. Limited
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The ECU Trust plc
5 Half Moon Street
London W1Y 7RA

and during normal business hours on 26th and 27th July, 1990 from the Company Announcements Office, The Stock Exchange, 46/50 Finsbury Square, London EC2A 1DD.

25th July, 1990

REUTERS

INTERIM RESULTS

EARNINGS PER SHARE UP 25.5%

INTERIM RESULTS TO
30 JUNE 1990 (UNAUDITED)

	Six months to 30 June 1990 £m	Six months to 30 June 1990 US$m	Six months to 30 June 1989 £m	Six months to 30 June 1989 US$m	Difference %
Revenue	688.3	1,197.7	548.3	954.1	+25.5
Pre-tax profit	167.1	290.7	135.9	236.5	+22.9
Taxation	58.5	101.8	50.3	87.5	+16.3
Profit attributable to ordinary shareholders	108.0	187.8	85.3	148.4	+26.6
Dividend	18.5	32.1	14.9	25.9	+24.4
Earnings per share (ADS)	25.9p	($1.35)	20.6p	($1.08)	+25.5

NOTE: The above unaudited financial information has been prepared in accordance with UK GAAP. For convenience the US Dollar equivalents have been converted at US $1.74 to £1, a rate prevailing on 30 June 1990.

HIGHLIGHTS

- Strong revenue growth in major markets
- Recovery in trading room systems sales
- Product upgrades continue
- Strategic priority for global automated trading
- Service cancellations high but further good growth expected

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COMMODITIES AND AGRICULTURE

Iraqi sabre-rattling sets scene for Opec talks

Steven Butler and Victor Mallet on the growing pressure for higher oil prices

THE OPEC ministerial meeting in Geneva this week will be the first test of whether Iraq can achieve its aims by threatening its small but oil-rich neighbour, Kuwait.

Iraq, unlike Kuwait, wants higher oil prices. The ministers attending the half-yearly Organisation of Petroleum Exporting Countries conference will have to decide whether to keep, or increase, the current $18-a-barrel reference price for a basket of Opec crudes.

The very fact that this issue tops the agenda is a result of Iraqi sabre-rattling. And the knowledge that Iraqi troops have marched up to the disputed Kuwait border will haunt the meeting, which opens formally tomorrow following today's committee meetings.

It also raises a broader question: will the balance of power within Opec shift fundamentally in favour of the price hawks, leading to a period of higher oil prices?

"The political balance has been significantly altered already," says Mr Mehdi Varzi, oil analyst at Kleinwort Benson.

Mr Varzi has long predicted higher oil prices because of steadily rising demand and the increasing dependence of the world on supplies from the Middle East. He now believes that Opec will adhere to a 22.5m barrels-a-day production ceiling to be adopted at the meeting, and that excess stocks will be drained away in the third quarter, leading to a rally by the year end.

Mr John Toalster, a well-known bear at Hoare Govett, has changed his view. He believes that while the supply and demand fundamentals still imply a weak market, oil prices are likely to rise because of Iraqi pressure on its Gulf neighbours. He does not believe that Iraqi President Saddam Hussein, having tasted success, will back off in the near future.

It was persistent overproduction by Kuwait and the United Arab Emirates that caused oil prices to collapse in the spring, as world stock levels hit 8-year highs. But Iraqi threats are now forcing Kuwait and the UAE to rein back production and Brent oil prices have shot up nearly $4 a barrel this month. Iraq has been cheered on by its erstwhile enemy Iran as well as other oil producers from all over the globe.

Mr Varzi expects the pressure to continue: "Iraq is on a winning wicket. It cannot lose. It will just let Kuwait sweat."

Last week's threats did not come out of the blue. At the Arab summit in Baghdad in May, Mr Saddam complained that quota-busters and low oil prices were causing unendurable pressure.

"This is in fact a kind of war against Iraq," he told a closed session of the summit on May 30 in a speech released a week ago by Iraqi radio. But prices continued falling, and in June the price of the Opec basket languished around $14 a barrel.

Iraq, which depends almost exclusively on oil exports for foreign exchange earnings, needs revenue quickly. President Saddam is trying to rebuild the economy after the Gulf war, while funding weapons research and development and keeping foreign creditors at bay.

Mr Saddam and his ministers, however, have betrayed much broader financial and political aims than just strengthening oil prices.

Iraq has revived its border dispute with Kuwait, and demanded the return of $2.4bn in oil "stolen" by the Kuwaitis from an oil field near the frontier. It has insisted that an estimated $35bn in loans to Iraq made by Kuwait, Saudi Arabia and other Gulf states during the Gulf war be written off.

Yesterday Kuwaiti and Western officials confirmed that Iraq had moved troops towards the Kuwaiti border in recent days.

Kuwait, the oil policy of which is determined by Sheik Jaber al-Ahmad al-Sabah, the Emir, sees much of this as an Iraqi attempt to extort money from the wealthy yet militarily weak and underpopulated Gulf states to the south.

Saddam Hussein
Iraq's President

Sheikh Jaber
Emir of Kuwait

Iraq, portraying itself as the defender of the Arabs against the Iranian revolutionary menace during the Gulf war, is now demanding its reward. Mr Tareq Aziz, the Iraqi Foreign Minister, asked in his memorandum to the Arab League: "Does not the logic of regional security make it incumbent on these (Gulf) states not only to cancel these debts but also to organise an Arab plan similar to the Marshall Plan to compensate Iraq for some of the losses during the war?"

Yesterday few analysts believed that Iraq, which once claimed all of Kuwait's territory, would invade the country. But an invasion cannot be ruled out entirely, and this is what makes the Iraqi tactics so effective.

Mr Saddam, likened by Arabs to the late Gamal Abdul Nasser of Egypt, wants to project himself as the leader of the Arab world, reflecting Iraq's military might, its 18m population and its historical glory.

In his efforts to achieve his ambitions he is becoming a political hawk as well as an oil price hawk, repeatedly threatening Israel, encouraging intransigence on the part of the Palestine Liberation Organisation and portraying himself as the champion of the Arabs in a war against American influence.

On the oil front he has suggested that the US build-up of a strategic petroleum stockpile is part of a conspiracy to keep prices low by manipulating the market, and he has implicated Kuwait and the UAE in the plot.

Such tactless accusations, and his broader claim that "the policies of some Arab rulers are American," are causing intense concern in Saudi Arabia as well as in Kuwait and the UAE.

The military capabilities of the Gulf Co-operation Council – the economic and security organisation established by Saudi Arabia and its five smaller Gulf allies in 1981 – are doubtful, and to call for US assistance would be to play into Mr Saddam's hands. The GCC states are thus left with few options other than diplomacy and appeasement.

These issues are unlikely to be addressed directly at this week's Opec meeting, but they form an essential backdrop that will set the tone for the meeting. Kuwait and the UAE have been effectively isolated in their wish to keep a low price target of $18 and they face the dangerous prospect of military action or subversion should they continue to flout their production quotas.

The outline of the agreement likely to be adopted was drawn up in Jeddah two weeks ago at a meeting of four GCC states plus Iraq. It calls for a production ceiling close to 22.5m b/d, with a 1.5m b/d quota for the UAE, compared with 23.5m b/d of actual output in recent months.

Iraqi proposals for oil prices to rise to $25 a barrel before production is increased again may turn out to be a bargaining position. This increases the likelihood that a compromise Iranian plan to set a $20 target will be adopted, if not formally at this meeting, then possibly in the autumn.

Mr Joseph Stanislaw, of Cambridge Energy Research Associates, believes that Opec has entered a new phase which will be characterised by the accommodation of a more powerful Iraq with a steadily rising oil production capacity. If Iraq is frustrated in its call for $25-a-barrel oil it could seek to bargain this away in exchange for a special increase in its production quota, perhaps next year. Mr Issam al-Chalabi, the Iraqi Oil Minister, has in the past repeatedly said that Iraq's goal was to increase revenue, not just to seek a certain price or production target.

A number of other countries would be unhappy at the prospect of not being able to increase production in the near term, and Venezuela and Libya are upset about the erosion of their share of Opec production.

These conflicting interests make it difficult to chart a smooth path for future oil prices. But Kuwait or the UAE, which have tried to keep prices low to stoke demand, will now have far more difficulty in subverting Opec production agreements. Higher oil prices would be the logical result.

Settlement reported at aluminium smelter

ALCAN ALUMINIUM said last night it had reached a tentative labour contract agreement with the Canadian Association of Smelter and Allied Workers that could mean a quick end to the strike by nearly 1,500 unionised workers at its Kitimat smelter in north-western British Columbia, reports Reuters from Vancouver.

Mr Allan Hewitson, an Alcan official, said union members would be asked to ratify the agreement at a meeting on Wednesday.

Robert Gibbens writes in Montreal: Earlier Alcan said it would have to shut down the 270,000 tonnes-a-year Kitimat smelter unless overall settlement was reached "within hours." At that time Mr Hewitson said all issues except pay had been settled.

Workers at the smelter and nearby hydro-electric power plant walked off the job at midnight on Monday after the old contract expired.

The union had been seeking nearly 20 per cent over two years, plus inflation protection, but the company said it wanted a three year contract based on Canada's present inflation rate of about 5 per cent.

● Noranda has declared force majeure on all lead contracts from its smelter at Belledune, New Brunswick, where 450 union members went on strike at the weekend.

EC group to watch Gatt farm talks

By David Buchan in Brussels

EC FARM ministers agreed yesterday that they must start political and technical preparations for cuts in agricultural support and protection in the Gatt trade negotiations, but displayed some discord on where the cuts should fall.

Mr Calogero Mannino, the Italian Minister who chaired the Council, was twice corrected – first by Mr Raymond McSharry, the EC farm commissioner, then by Mr John Gummer, the UK Minister – when he suggested support for some products might suffer less than for others.

The conclusion of a very general debate on Gatt was that the ministers should get a better political handle on the fate of agriculture in the Gatt talks by setting up a high-level official group to follow the Geneva negotiations. Mr Mannino said a decision would be taken in early September, with a view to that group reporting to ministers by the end of that month.

Mr McSharry said it was time "to put realistic substance into the commitment" to make progressive and substantial cuts in farm support, and he promised the Commission would produce general guidelines on this in September. All ministers subscribed to the need to start preparing their farmers for the final round of the Gatt talks, but for Mr Henri Nallet of France this seemed to mean ensuring that EC farmers and their ministers spoke with a single voice, rather than resigning themselves to support cuts.

By contrast to his Italian and French colleagues, Mr Gummer called yesterday for equality of sacrifice – as between the EC and other major international farm traders, between EC states and between EC farm products.

"If these conditions are met, I could defend a settlement (in Gatt) to UK farmers," he said.

● Rising imports of cheap soft fruit from Eastern Europe was causing growing concern, Mr Gummer said, adding that safeguards such as a minimum tariff might have to be considered in order to protect those like Scottish raspberry growers.

Uranium recovery too late for Ontario mines

By Kenneth Gooding, Mining Correspondent

URANIUM MARKETS, which have been depressed for nearly ten years, are showing clear signs of recovery and analysts believe this will continue. But recovery has come too late to save two Rio Algom mines in northern Ontario.

Rio Algom, a subsidiary of the UK's RTZ Corporation, said in February closure of the Quirke and Panel mines would be brought forward. Now it says they will close at the end of August with the loss of about 1,700 jobs.

Uranium's only application is as an energy source, and since peaking at $43 a lb in 1978 spot prices have fallen nearly every year, reaching $8.70 a lb in February. The price has recovered to $11.60 a lb and Mr Mike Kurtanjek, analyst at Laing & Cruickshank, says: "There are very solid reasons to suggest that the outlook is sound, that inventories have been worked down and that future contracts are sure to be signed up at higher prices."

Mr Michael Spriggs, analyst at S.G. Warburg, is more cautious, pointing out that current uranium stocks of 110,000 tonnes represent 2.5 years' consumption. However, high-cost producers are being forced out by low prices and "market equilibrium will eventually be restored."

Broker predicts zinc price fall

By Kenneth Gooding

A WARNING that a further sharp fall in the price of zinc can be expected in the next few months, has been delivered in a special report by the Rudolf Wolff commodity broking group.

Mr William Adams, the report's author, suggests that the London Metal Exchange price for zinc for delivery in three months is likely to drop from $1,538 a tonne last night to $1,400 in the near-term and to $1,250 over the next few months.

He says increased production and falling demand for zinc will see the market move from a situation where last year consumption outstripped supply by 79,000 tonnes to one where it will be in balance in 1990 and move to a supply surplus in the first half of 1991.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+4,360	to 163,175
Copper	+6,225	to 67,750
Lead	−100	to 43,175
Nickel	−618	to 7,050
Zinc	−375	to 39,275
Tin	−105	to 11,290

US consumers to be 'educated' about dairy hormone

By Nancy Dunne in Washington

THE US National Dairy Board, a quasi-governmental group funded by US farmers to promote dairy products, is the centre of unaccustomed controversy over plans to conduct a $1.1m "education campaign" about the synthetic dairy hormone, bovine somatatropin (BST).

Board officials yesterday flew into Minneapolis for a special meeting with angry farmer and consumer groups, who claim that they are being "stabbed in the back" by the national board.

The activities of the National Dairy Board are financed by dairy farmers, through a mandatory assessment of 15 cents on every 100 lb of milk they sell. Its budget was $79m last year. Its 36 members are appointed by the secretary of agriculture.

BST, a genetically-engineered drug designed to increase milk production, is so controversial in the US – as it is in the UK – that the states of Wisconsin and Minnesota banned its use for one year. Similar legislation was defeated this year in Vermont, where agrichemical companies launched a major campaign in its defence.

Mr Wayne Kelley, a Minnesota dairy farmer and president of the state's largest consumer organisation, said he was "outraged that the National Dairy Board is spending my milk promotion dollars to defend a controversial hormone that the Food and Drug Administration has not yet approved for commercial use."

The farmer and consumer representatives say they will ask the Dairy Board to develop a campaign to promote "naturally-produced" milk and dairy products as being free of BST.

The Dairy Board said it had developed the campaign because "adversaries in the battle over the potential commercial use of BST were making milk safety the issue, rather than the social, philosophical or economic aspects of such use that were their real concerns."

With the approval of the US Department of Agriculture, it began preparations "to create an objective industry source from which dairy farmers, health care professionals and the media could obtain information on BST and any other issue relating to milk safety."

The Board said it will not endorse or oppose the use of BST by dairy farmers.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,670-1,770 (1,650-1,750).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.45-3.00 (2.30-2.90).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 2.75-3.00 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 8.40-9.80 (8.25-8.60).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 195-225 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.90-2.96 (2.93-2.99).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.85-5.50 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 38-53 (39-54).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 3.10-3.30 (same).

URANIUM: Nuexco exchange value, $ per lb, UO, 11.60 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

NICKEL prices came under pressure from trade and commission house selling in thin late dealings on the LME yesterday after three-month metal reached $10,000 a tonne in the morning. Dealers said the initial advance had followed news of a 618-tonne drop in LME stocks. US Mint tender offers were in line with expectations while news of a 16m lb (7,257 tonne) build in Inco stocks during the second quarter of this year also had little market impact. Dealers said a rise from the extremely low level of the first quarter had been expected. Copper prices recouped earlier losses in the afternoon. Dealers said news of an explosion at Australia's Olympic Dam mine, which is likely to shut down for two weeks, had little impact. The 6,225-tonne rise in LME stocks was above original expectations although some forecasts had been revised to less than 4,000 tonnes higher early this morning. A further build in stocks is expected on Friday. Gold closed steady on the London bullion market. A brief early rally on the back of Monday's gains, combined with support from heightened Middle East tensions, faded in the face of producer selling at the highs.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.10-7.20y	+0.30
Brent Blend	$19.55-9.60y	+0.30
W.T.I. (1 pm est)	$20.79-0.81y	+0.26
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$262-264	+2
Gas Oil	$175-176	+2
Heavy Fuel Oil	$75-78	+2
Naphtha	$164-166	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$369.00	+0.75
Silver (per troy oz)♣	487c	-5.00
Platinum (per troy oz)	$481.00	+0.35
Palladium (per troy oz)	$115.75	+0.05
Aluminium (free market)	$1566	+10
Copper (US Producer)	124.5c	-0.5
Lead (US Producer)	50.0c	
Nickel (free market)	460c	+5
Tin (Kuala Lumpur market)	16.08r	-0.04
Tin (New York)	284c	
Zinc (US Prime Western)	87.5c	
Cattle (live weight)†	103.52p	-1.21*
Sheep (dead weight)†	134.78p	-20.4*
Pigs (live weight)†	82.12p	-10.6*
London daily sugar (raw)	$263.4z	-6.60
London daily sugar (white)	$366.5z	-12.8
Tate and Lyle export price	£286.0	-4.00
Barley (English feed)	£107.75	-1.75
Maize (US No. 3 yellow)	£156.5	
Wheat (US Dark Northern)	Unq.	
Rubber (Aug)♥	51.50p	
Rubber (Sep)♥	52.00p	
Rubber (KL RSS No 1 Aug)	233.5m	+1.00
Coconut oil (Philippines)§	$297z	-3
Palm Oil (Malaysian)§	$270	
Copra (Philippines)§	$195w	
Soyabeans (US)	£150.0	
Cotton "A" index	90.90c	+0.35
Wooltops (64s Super)	468p	-6

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct. t-Jul/Aug. u-Oct/Dec v-Jun/Jul. w-Aug z-Aug/Sep y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	254.40	252.20	257.00	253.40
Oct	253.40	250.80	257.00	251.00
Dec	255.40	255.00	256.00	250.00
Mar	249.00	240.80	248.40	241.40
May	244.00	241.40	246.00	242.80
Oct	246.00	241.00	245.20	241.00
White	**Close**	**Previous**	**High/Low**	
Oct	311.0	312.0	315.7	311.0
Dec	309.5	308.5	310.0	307.0
Mar	309.0	308.5	310.0	308.0
May	312.0	308.5	312.0	310.0
Aug	318.0	312.5	318.0	313.0
Oct	308.5	302.7	308.4	308.2

Turnover: Raw 2217 (2335)lots of 50 tonnes. White 762 (852)
Paris- White (FFr per tonne): Oct 1705, Dec 1685 Mar 1695, May 1710, Aug 1760

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Sep	19.58	19.28	19.74	19.40
Oct	19.62	19.41	19.75	19.40
Nov	19.67	19.32	19.70	19.60
Dec	19.62	19.35	19.60	19.55
Jan	19.65		19.56	
IPE Index	19.15	18.69		

Turnover: 8460 (12138)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low	
Aug	174.75	171.75	177.50	174.00
Sep	175.25	172.75	178.25	175.00
Oct	177.25	174.75	180.25	177.00
Nov	178.75	177.00	180.75	179.00
Dec	179.50	177.50	182.00	178.25
Jan	179.00	177.25	181.50	178.00
Feb	177.25		177.25	174.50
Mar	169.00		170.00	167.00
Apr	166.00	166.00	171.00	166.00

Turnover 9477 (11854)lots of 100 tonnes

JUTE
August/September c and f Dundee BTC $530, BWC $535, BTD $500, BWD $505; c and f Antwerp BTC $510, BWC $510, BTD $480, BWD $480.

COTTON
Spot and shipment sales for the week ended July 20 amounted to 185 tonnes against 78 tonnes in the previous week. Trading remained on the low side and only few dealings occured and these were mainly in American and Chinese growths.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Jul	735	746	752	730
Sep	752	762	765	737
Dec	782	789	795	769
Mar	810	819	825	799
May	828	835	840	819
Jul	849	857	863	838
Sep	868	877	881	873

Turnover: 9494 (1895) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 23 999.13 (989.00) 10 day average for Jul 24 986.40 (989.74)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Jul	527	528	530	526
Sep	550	548	551	546
Nov	570	568	571	567
Jan	590	587	591	588
Mar	609	607	608	607
May	628	626	627	626
Jul	646	644	647	642

Turnover: 2687 (1525) lots of 5 tonnes
ICO indicator prices (US cents per pound) for July 23: Comp. daily 67.51 (67.76). 15 day average 67.89 (67.81)

POTATOES – BFE £/tonne

	Close	Previous	High/Low	
Nov	83.0	187.0	184.0	180.0
Apr	128.9	130.5	128.9	122.0
May	138.0	143.0	133.0	

Turnover 308 (387) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low	
Aug	107.00		107.00	
Oct	110.00	109.50	110.50	109.50

Turnover 48 (10) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low	
Jul	1146	1141	1146	1144
Aug	1155	1155	1155	1145
Oct	1263	1262	1263	1240
Jan	1275	1278	1280	1260
Apr	1278	1281	1270	
BFI	1141	1138		

Turnover 202 (383)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low	
Sep	111.00	111.00	110.80	110.60
Nov	115.05	115.10	115.05	114.80
Jan	119.00	119.05	119.00	
May	126.00	126.00	126.00	
Barley	**Close**	**Previous**	**High/Low**	
Sep	109.80	109.80	109.80	09.70
Nov	114.10	114.00	114.00	13.85
Jan	117.80	117.70	117.65	17.60
Mar	121.00	117.70	121.00	20.80

Turnover: Wheat 63 (45). Barley 75 (32).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low	
Aug	114.3	115.0	114.1	
Sep	114.5	115.0	114.5	114.0
Oct	116.0	116.0	115.5	114.9

Turnover 45 (64) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover lots
Cash	1570-3	1551-3	1559	1559-60		
3 months	1602-5	1584-5	1612/1591	1591-2	1607-8	42,115 lots
Copper, Grade A (£ per tonne)						Total daily turnover lots
Cash	1487-8	1493-5	1484/1482	1482-3		
3 months	1469-70	1473-4	1478/1464	1464-5	1475-4	54,048 lots
Lead (£ per tonne)						Total daily turnover lots
Cash	475-7	472.5-4	478	477-8		
3 months	478-9	478-9	484/477	480-80.5	479-80	10,710 lots
Nickel ($ per tonne)						Total daily turnover lots
Cash	9750-800	9975-10025	9900	9950-10050		
3 months	9700-25	9925-50	9970/9700	9900-50	9725-50	9,829 lots
Tin ($ per tonne)						Total daily turnover lots
Cash	6010-5	6040-5	6010	6010-30		
3 months	6135-40	6170-5	6150/6130	6140-50	6130-40	4,857 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover lots
Cash	1565-70	1585-6	1573/1572	1572-3		
3 months	1535-8	1553-5	1560/1533	1542-3	1540-50	19,396 lots

LME Closing £/$ rate: SPOT: 1.8255   3 months: 1.7952   6 months: 1.7705   9 months: 1.7477

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	368¾-369¼	202-202½
Opening	368-368½	201¾-202¼
Morning fix	368.25	201.947
Afternoon fix	368.70	202.194
Day's high	369¾-370¼	
Day's low	367¾-368¼	
Coins	**$ price**	**£ equivalent**
Mapleleaf	377-382	206½-209½
Britannia	377-382	206½-209½
US Eagle	377-382	206½-209½
Angel	377-382	206½-209½
Krugerrand	368-371	201½-203½
New Sov.	86¾-88¾	47½-49
Old Sov.	86¾-88¾	47½-49
Noble Plat	488.75-494.50	266.85-270.90
Silver fix	**p/fine oz**	**US cts equiv**
Spot	266.65	490.00
3 months	278.65	499.90
6 months	288.80	510.15
12 months	307.05	529.75

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Nov	Sep	Nov
1500	99	122	5	14
1600	31	56	36	47
1700	5	21	109	107
Copper (Grade A)	**Calls**		**Puts**	
2550	172	138	26	95
2650	105	93	58	147
2750	56	59	109	211
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
500	51	61	3	11
550	18	49	20	29
600	4	27	56	57
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
700	60	75	8	44
750	28	51	28	70
800	11	35	59	104
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
1800				
1850	19		18	
1900			30	

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	5755	5650	5770	5700
Sep	5865	5765	5875	5806
Oct	5960	5864	5970	5910
Nov	6070	5970	6090	6015
Dec	6160	6057	6165	6095
Feb	6081	6016	6090	6040
Mar	5875	5811	5875	5860

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	367.9	369.1	0	0
Aug	368.5	369.7	371.0	367.3
Sep	370.3	371.6	0	0
Oct	372.8	374.0	375.2	371.8
Dec	377.2	378.5	380.0	376.2
Feb	381.5	382.7	383.0	381.3
Apr	385.5	386.8	386.8	385.5
Aug	396.3	395.5	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	483.0	487.6	490.0	481.0
Jan	489.0	493.3	496.0	489.0
Apr	499.0	498.5	502.0	499.0
Oct	507.0	0	514.0	506.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	483.0	488.2	490.5	481.0
Sep	495.5	492.8	494.5	484.5
Dec	496.0	503.6	505.5	495.5
Jan	502.1	506.3	502.1	502.0
Mar	506.0	514.0	515.5	506.0
May	518.0	520.8	522.5	516.0
Jul	521.0	527.8	530.0	521.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	122.25	120.75	122.80	121.00
Aug	121.50	120.00	121.95	120.00
Sep	120.40	119.10	120.80	118.60
Oct	118.40	117.25	118.40	118.40
Nov	116.10	115.00	0	0
Dec	113.40	112.30	113.80	112.00
Jan	111.75	110.70	0	0
Mar	108.15	107.10	107.60	0
Apr	106.90	105.85	0	0
May	105.15	104.10	104.40	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	20.85	20.50	20.92	20.65
Oct	21.22	20.91	21.28	21.08
Nov	21.35	21.10	21.45	21.22
Dec	21.44	21.18	21.50	21.32
Jan	21.47	21.23	21.50	21.35
Feb	21.42	21.24	21.50	21.35
Jun	21.40	21.26	21.55	21.40

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1268	1259	1290	1202
Dec	1304	1300	1325	1263
Mar	1343	1337	1359	1295
May	1365	1362	1368	1325
Jul	1385	1384	1392	1392
Sep	1405	1404	1415	0
Dec	1438	1438	1450	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	87.95	87.15	88.00	88.80
Dec	91.80	90.95	91.90	90.50
Mar	95.15	94.20	95.15	93.70
May	95.90	95.80	96.90	95.50
Jul	98.15	97.50	98.60	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	11.27	11.14	11.45	11.22
Mar	10.93	10.85	11.08	10.92
May	10.94	10.90	11.09	10.92
Jul	10.90	10.90	11.10	10.89
Oct	10.90	10.90	10.90	10.88

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	77.55	77.90	78.40	77.40
Dec	73.80	73.72	74.37	73.35
Mar	74.86	74.55	75.15	74.35
May	75.25	74.95	75.60	75.25
Dec	68.00	67.80	68.00	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	173.20	173.25	173.80	170.60
Nov	163.00	164.40	164.10	162.50
Jan	159.00	159.40	159.40	158.60
May	159.00	158.10	0	0
Jul	159.00	158.10	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jul 24	Jul 23	mnth ago	yr ago
1789.8	1793.4	1857.3	1909.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Jul 23	Jul 20	mnth ago	yr ago
Spot	131.78	131.16	-	130.29
Futures	130.69	130.45	-	129.15

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	584/2	591/0	593/2	584/0
Sep	589/4	595/4	598/4	589/0
Nov	599/4	605/4	608/6	599/0
Jan	611/0	617/0	619/6	610/6
Mar	622/4	629/0	631/0	622/4
May	631/0	637/0	638/4	631/0
Jul	637/0	641/6	644/0	637/0
Aug	634/0	632/0	634/0	634/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	23.07	23.16	23.37	23.05
Sep	23.10	23.17	23.36	23.05
Oct	23.19	23.15	23.40	23.12
Dec	23.11	23.20	23.40	23.11
Jan	23.22	23.30	23.50	23.22
Mar	23.38	23.36	23.60	23.38
May	23.47	23.52	23.65	23.45
Jul	23.55	23.62	23.65	23.55

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	170.6	173.6	174.3	170.5
Sep	172.1	174.3	175.2	172.0
Oct	172.9	175.4	176.0	172.9
Dec	175.6	178.2	179.0	175.6
Jan	176.8	179.0	179.5	176.8
Mar	178.7	180.5	181.0	178.7
May	180.9	181.7	182.5	180.5
Jul	182.2	183.0	184.0	182.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	261/4	264/0	265/4	261/0
Dec	257/0	259/6	260/4	256/6
Mar	264/2	265/4	267/4	264/0
May	269/2	270/4	272/2	269/2
Jul	272/2	273/2	275/4	272/2
Sep	265/6	262/4	266/0	264/0
Dec	251/2	257/6	262/4	250/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	303/4	301/6	306/0	302/0
Dec	319/6	318/2	322/4	318/0
Mar	326/2	327/0	330/4	327/0
May	326/0	325/0	330/0	326/0
Jul	323/0	322/0	324/0	319/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	76.85	76.30	76.90	76.25
Oct	77.75	77.02	77.77	76.92
Dec	76.77	76.30	76.80	76.26
Feb	76.30	76.82	76.80	76.26
Apr	76.65	76.17	76.35	75.80
Jun	74.02	73.55	76.05	76.10
Aug	72.50	72.27	74.10	73.80
			72.50	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	59.37	59.70	59.85	58.87
Oct	52.45	52.12	53.16	51.85
Dec	50.92	50.58	51.60	50.25
Feb	49.00	49.20	49.60	48.75
Apr	45.77	45.50	46.10	46.55
Jun	49.60	49.80	50.00	49.55
Jul	49.97	49.96	50.10	49.85
Aug	48.55	48.65	48.70	48.55

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	46.20	44.20	46.20	44.85
Aug	45.12	43.12	45.12	43.97
Feb	51.50	49.90	51.60	49.40
Mar	52.10	50.10	52.10	49.20
May	52.50	50.50	52.60	49.50
Jul	52.15	0	52.15	50.15

LONDON STOCK EXCHANGE

Wall Street's shadow unsettles shares

THE LONDON equity market rallied determinedly in early trading yesterday, but proved unable to shake off the implications of the new mood of uncertainty on Wall Street.

A gain of 18 points on the FT-SE was reversed as London braced itself for the new session in the New York market. UK stocks responded thankfully when the Dow Industrial Average made a brave start to the new session.

The final reading showed the FT-SE Index at 2,360.9 for a gain on the day of 1.2 points. Traders described the market's performance as resilient in view of heavy falls in a handful of Footsie stocks, notably Reuters and Reed International, which reacted strongly to their respective trading statements. Much of the upward pressure came from the oil share sector and reflected the growing tensions in the Middle East between Iraq and Kuwait.

Trading volume remained unexciting overall, although the Seaq total was swollen to 384.8m shares by an overnight programme which some traders believed represented selling orders in London by a big US investment house.

Share prices opened firmer as UK market strategists closely scrutinised the overnight performance of other world stockmarkets. The late rally on Wall Street, which almost halved the earlier loss, helped sentiment, although the mood remained very nervous ahead of the appearance before a Senate sub-committee of Mr Alan Greenspan, the chief of the Federal Reserve.

In the absence of renewed selling in London, equities extended their rise for a time. But confidence was soon badly jolted by bearish trading forecasts from two leading companies, and the FT-SE September futures contract reacted and led the equity market back towards overnight levels.

At the annual meeting of Reed International, shareholders were warned of declining business confidence in the UK economy, and of exchange rate factors.

Then the stock market's warning flares were set alight by Reuters, the global business communications group, which referred to some cancellations of its services in the UK and the US.

Apprehension ahead of Wall Street's opening was increased by these bearish comments from two New York-influenced stocks. Reuters shares ran into heavy US selling when New York opened and the stock closed nearly 15 per cent down on the day in London.

At worst, London was nearly eight Footsie points off, but the market picked up in the wake of Wall Street's steady trend in early trading. The investment mood remained cautious, with UK market professionals accepting that London would react to any renewed setback on Wall Street but still convinced that London is close to sound valuation levels.

Account Dealing Dates		
*First Dealings:		
Jul 9	Jul 23	Aug 6
Option Declarations:		
Jul 19	Aug 2	Aug 16
Last Dealings:		
Jul 20	Aug 3	Aug 17
Account Day:		
Jul 30	Aug 13	Aug 28

*New-time dealings may take place from 8.30 am two business days earlier.

Reuters shares routed

REUTERS dropped 15 per cent to its lowest level since March after the news and information group warned that profits growth in the second half of this year would not match that of the first half.

The stock closed at the day's low of 1045p for a fall of 184 after a busy session. Analysts said much of the decline was speculative froth being knocked off the top of Reuters' share price. A total of 5.7m shares changed hands, a figure that was nearly doubled once American Depositary Receipts were included.

The company had announced a 23 per cent rise in first-half profits to £167m, in the middle of market expectations. But the market latched on to the statement that cancellations had risen and the company's warning about second-half profitability.

As a result, most analysts reduced their full year forecasts, with Henderson Crosthwaite moving to £340m from £355m, while Barclays de Zoete Wedd cut to £333m from £355m.

Reuters' ability to recover from such a drop would depend upon US investors, who own 48 per cent of the company, many analysts said. They added that they will be watching closely the outcome of a series of presentations Reuters is about to make in the US.

Reed sold

Reed International fell 32 to 433p after it warned that it was unlikely to produce the "exceptional" profits in the current year which it had notched up in the previous two years.

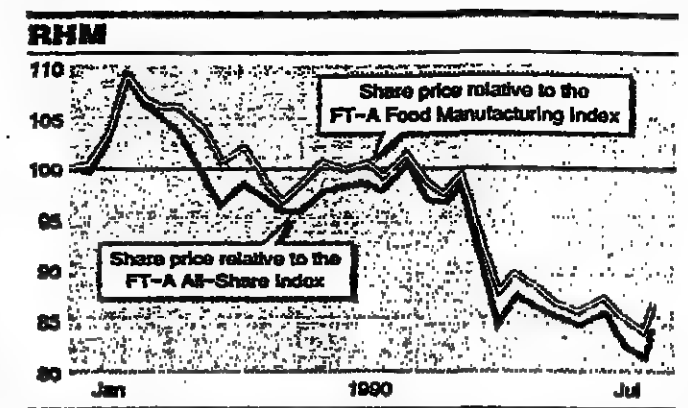
A total of 4.3m shares changed hands, with sellers strongly in evidence. Analysts said Reed had recently enjoyed strong gains but had been driven too high by the market.

After the statement, many analysts lowered their forecasts for the current year to around £295m to £305m from around £320m. That compared with last year's £302m, which included £25.7m of exceptional items.

Reed was also depressed after it and the other three major shareholders in British Satellite Broadcasting confirmed that the period of grace in which Mr Alan Bond could sell his £154m stake without suffering serious dilution had not been extended.

Reed's losses and the Bond news also depressed Pearson, down 23 at 762p, which is a major shareholder in BSB. Granada, another of the BSB shareholders, eased 2 to 220p.

RHM



Ranks Hovis McDougall has underperformed both the FT-A All-Share Index and FT-A Food Manufacturing Index during 1990 as hopes of a bid began to evaporate. However, speculation revived recently after Sunningdale, which holds 29.9 per cent, said it did not consider its stake a "passive investment."

GrandMet fall

The repercussions of McDonald's disappointing earnings report were felt mainly by Grand Metropolitan, which owns the fast-food Burger King chain. GrandMet shares dropped quickly to 642p but steadied to close 13 down at 647p as analysts at London investment banks refused to downgrade profit estimates for the burger subsidiary.

Shearson Lehman Hutton, for one, believes Burger King may have picked up market share from McDonald's over the past quarter, so the fall in Big Mac's share price on Wall Street may not necessarily be a bear signal for GrandMet.

Dalgety, which distributes burgers in North America through its Martin-Brower subsidiaries, also caught the draught. Trading was only of average proportions in the Alpha-rated stock but the close was still 8 lower at 388p.

Rolls-Royce dip

Among defence stocks, Rolls-Royce suffered from concern that overseas shareholdings may be approaching the maximum permitted level. Last Friday, it was disclosed that these holdings had reached 25 per cent of total equity and, with the London market now deemed good value in relation to other international bourses, the fear is that the overseas limit of 29.5 per cent may soon be breached. Presentations to Japanese institutional investors last month were deemed a success.

Dealers said that although demand for the shares remained satisfactory, it had been overtaken in the past two market sessions by increased selling. Rolls-Royce lost 6 further to 213p after turnover of 5.8m shares.

The possibility that Mr Tom King, the Minister of Defence, could make a statement on UK defence policy either this afternoon or before Parliament rises on Thursday for the summer recess brought cautious trading in other defence-related stocks.

Market sources believe the Ministry of Defence has completed its "options for change" study on future armed forces' levels and that outline details could be revealed very soon.

Oil tensions

Oil and gas issues posted further big gains as crude oil prices continued to advance amid the growing tension in the Middle East and ahead of today's preliminary Opec meeting in Geneva.

Share prices were up and running at the outset in response to reports that Iraqi troops had massed near the Iraq/Kuwait border and that US warships in the region had been put on alert. Brent crude for September delivery moved easily through the $19 a barrel level, reaching $19.65 at one point.

Oil analysts said it was quite clear that the Iraqis were exerting unprecedented pressure on the Gulf states - at the risk of creating political and military instability in the region – to force an agreement at the Opec meetings, which get under way in Geneva today.

News that Saudi Arabia had come out in favour of an oil price higher than the Opec benchmark level of $18 a barrel "shows that the Gulf states are looking to appease Iraq, at least in the short term," said Mr Steve Turner at Smith New Court.

BP moved up 7 more to 340p on turnover of 10m, while Shell were a similar amount firmer at 489p on 4.5m. Enterprise Oil jumped 14 to 676p, as did Lasmo, to 448p, after 450p. Lasmo reports interim figures this morning.

Ultramar were swept along by the oil price euphoria, closing 4 higher at 343p, as were Burmah, 675p, and Calor, 254p. Of the cheaper stocks, there was significant support for Clyde, 6 up at 175p.

The banks remained a nervous market with activity at very low levels in most cases. NatWest were a fraction off at 333p on 3.4m after the big loss recorded by the bank's US arm, Bancorp. But Lloyds drew good support to close 2 firmer at 298p ahead of Friday's interim figures, which kick off the clearers' interim reporting season.

A bearish review of the merchant banks by County NatWest's banks team was a restraint for the sector, where Hambros lost 5 to 258p.

Insurances attracted some keen interest. Prudential, heavily traded on Monday, advanced 7 more to 243p on turnover of 4.7m. Dealers said there had been no let-up in the bid rumours that have circulated around Prudential for many weeks. A story that Germany's Allianz was about to launch an offer for Pru was strongly rebuffed only last week. Lloyds Abbey Life, reporting interim figures on Friday, edged up 3¼ to 348p.

Composite insurers staged a minor rally. Guardian Royal were easily the heaviest traded shares in the sector, with 4.7m changing hands as the price moved up 2 to 225p. One of the big US investment banks was said to have been a big seller of the stock, which has fallen rapidly from the 250p level recently. "The stock overhang has been removed," noted one dealer.

Insurance brokers took heart from the increased profits recorded by Marsh & McLennan, the US broking concern. Sedgwick were especially firm, closing 8 higher at 228p on turnover of just short of 1m.

Fisons gained 7 to 384p after James Capel issued a positive note following a visit to VG, its scientific equipment division, acquired earlier this year. Capel expects profits this year at Fisons of £235m, and £285m next year, compared with £169m in 1989.

The water issues were again among the market's best performing areas as the sector responded to persistent small buying which was said to have revealed a shortage of stock.

"The forthcoming privatisation of electricity will show the water stocks as being fundamentally cheap against the market," said one dealer, who added that the market expected a number of analysts to turn more positive on the sector during the next few days. Bad publicity regarding pollution of the environment "is all in the prices," the specialist added.

A note on the water stocks issued by Mr Lakis Athanasiou at UBS Phillips & Drew highlighted the attractions of Southern and South West. The only negative recommendation from UBS is for Northumbrian. The Water Package raced up 65 to £2258, while among the individual stocks, Wessex rose 9 to 224p. Gains of 8 were common to Southern, 207p, and South West, 233p, while Anglian attracted the heaviest turnover and put on 7 to 228p.

BICC lost 6 to 432p, with a line of 1.9m shares reported on the Seaq ticker during the morning.

British Telecom's defensive qualities were said to have been behind persistent demand for the shares, which edged up 2¼ to 293p.

Thorn EMI remained a nervous market ahead of Friday's annual meeting and closed a further 10 lower at 725p.

GEC, hinted as one of the potential bidders for PowerGen, slipped 2 to 197p.

TI Group regained a small early loss to close a net 2 higher at 530p on the award of a three-year contract, worth $35m, from Rolls-Royce for jet engine rings. Lucas Industries responded belatedly to favourable advice from County NatWest, improving 3 to 149p. Lex Service hardened to 260p awaiting Friday's interims.

A spirited bout of buying interest for United Newspapers aroused speculation of renewed stakebuilding or a full bid and the shares advanced further to 365p for a rise of 13.

Record sales for the season ending this month, the figure breached $2bn for the first time, pushed shares of Christies International up to 326p.

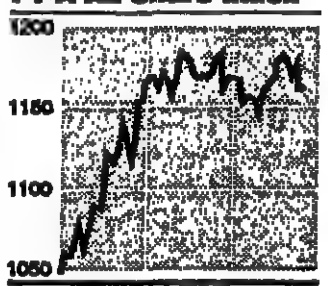
USM-listed City of London PR Group reacted 8 to 48p after the warning that profits this year would be "somewhat lower". St Ives eased 3 to 217p following a downgrade by a leading securities house.

Reports of an encouraging annual meeting yesterday helped De La Rue progess 4 to 298p. Hawthorn Leslie regained part of Monday's fall to settle 2½ firmer at 16½p, but trading worries beset Strong & Fisher, which retreated 5 to 14p.

Hambros Advanced Technology Trust went higher on agreed share exchange terms – there is also a cash alternative of 120p per share – from Hambros. HATT rose 8 to 117p.

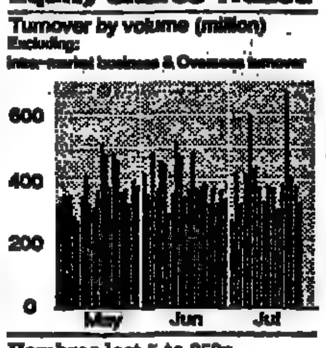
■ Other Market statistics, including the FT-Actuaries share index, Page 33

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Inter-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (27).
BRITISH FUNDS (2) BREWERS (1) BUILDINGS (2) STORES (3) ENGINEERING (3) FOODS (3) INDUSTRIALS (3) Baird (Wm.), Computer People, Hadleigh Inds., INSURANCE (2) MOTORS (2) TRUSTS (4) OILS (2).
NEW LOWS (90).
AMERICANS (24) CANADIANS (4) BANKS (4) BUILDINGS (4) CHEMICALS (1) ELECTRICALS (2) ENGINEERING (1) FOODS (1) INDUSTRIALS (16) Black Arrow, Butlers, Co. of Designers, Dobson Park, Elders IXL, Fitzwilton, Hawthorn Leslie, Hunting, Lincat, Marling Inds., Medeva, Scottish Heritable Trust, Securiguard, Smiths Inds., St. Gobain, Wilkes (J.), INSURANCE (4) LEISURE (3) MOTORS (2) PAPERS (5) PROPERTY (1) TEXTILES (3) TRUSTS (11) MINES (3).

FINANCIAL TIMES STOCK INDICES

	July 24	July 23	July 20	July 19	July 18	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	79.53	79.43	N/A	79.30	79.36	86.34	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.36	88.23	88.06	88.07	87.99	97.13	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1868.7	1867.1	1898.1	1888.7	1900.6	1886.0	1968.3 (3/1)	1653.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	184.7	182.6	181.9	181.2	179.4	194.6	376.5 (6/2)	167.9 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2360.9	2359.7	2400.1	2387.3	2402.0	2269.4	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.97	4.96	4.88	4.91	4.88	4.28				
Earning Yld %(full)	10.95	10.93	10.76	10.81	10.74	10.02				
P/E Ratio(Net)(☆)	11.07	11.10	11.27	11.27	11.29	12.02				
SEAQ Bargns 4.45pm	21,331	23,926	N/A	25,533	28,634	24,759				
Equity Turnover(£m)†	-	882.05	908.89	924.85	1735.39	1457.06				
Equity Bargains†	-	23,956	27,933	26,389	32,920	27,976				
Shares Traded (ml)†	-	329.5	384.1	405.6	674.1	518.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.93

Ordinary Share Index, Hourly changes — Day's High 1878.6 — Day's Low 1860.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1871.5	1869.1	1877.5	1874.8	1874.9	1874.3	1870.1	[illegible]	1865.3

FT-SE, Hourly changes — Day's High 2378.1 — Day's Low 2351.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2366.8	2365.1	2376.8	2373.5	2372.3	2370.3	2364.6	2355.3	2359.6

GILT EDGED ACTIVITY

Indices*	July 23	July 20
Gilt Edged Bargains	84.2	77.3
5 – Day average	84.3	87.3

*SE Activity 1974
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
AGT	2,600	173	+2
ASDA Group	3,900	117	+1
Abbey National	1,500	227	+1
Allied-Lyons	646	504	+8
Amstrad	663	66	
Anglian Water	1,900	229	+7
Argos	226	242	-1
Argyll Group	342	342	-1
Ass. Brit Foods	14	413	
BAA	1,000	461	+7
Courtaulds	2,300	377	+3
Dalgety	341	388	-8
[illegible]	733	145	+2
ECC Group	73	405	+2
Enterprise Oil	886	676	+14
FKI	123	78	
Ferranti	174	30	
Fisons	3,130	384	+7
Gen. Accident	1,200	824	+2
General Elect	4,500	197	-2
Manpower	115	76	
Marks & Spencer	1,400	244	+½
Maxwell Comms	1,300	175½	+½
Mecca Leisure	626	82	+2
Midland Bank	661	297	
NatWest Bank	3,400	333	-1
Next	757	46	+1½
North West Water	2,100	229	+4
Northern Foods	210	337	-1
Northumbrian Water	191	239	+6
Smith (W.H.) A	[illegible]	364	-1
Smith & Nephew	3,100	118½	+1
SmKl Beecham	913	543	-7
SmKl Beecham Units	25	[illegible]	[illegible]
Smiths Inds.	426	213	-4
South West Water	508	233	+8
Southern Water	365	207	+8
Standard Chartd	62	[illegible]	-5
Storehouse	1,600	135	+2
Sun Alliance	2,700	330	+2
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

LONDON SHARE SERVICE

BRITISH FUNDS — BRITISH FUNDS—Contd — INT. BANK AND O'SEAS — CORPORATION LOANS — COMMONWEALTH & AFRICAN LOANS — LOANS — FOREIGN BONDS & RAILS — AMERICANS — AMERICANS—Contd — CANADIANS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

APPOINTMENTS

Ports chief for Sea Containers

SEA CONTAINERS has appointed Mr John Wood *(pictured)* as managing director, Sea Containers Ports, where he is responsible for port operations at Folkestone, Newhaven, and Heysham. He was a director at Sealink British Ferries.

■ Mr Ian Mercer has been appointed chief executive designate of the COUNTRYSIDE COUNCIL FOR WALES, formed following the merging of the Nature Conservancy Council and the Countryside Commission. It will come into being when legislation completes its passage through parliament. He was with Dartmoor National Park Authority.

■ Mr Andrew Warren has been appointed group publishing director, Harmsworth Magazines division, DAILY MAIL AND GENERAL TRUST. He was with National Magazine Co.

■ GbS (UK), Alton, has appointed Mr John Fox as financial director.

■ Mr Nigel Whittaker, corporate affairs director of Kingfisher, has been appointed honorary treasurer of THE RETAIL CONSORTIUM.

■ Mr John A. Clegg, chairman of John Clegg & Co, has been appointed a non-executive director of COLROY, Chesham, Buckinghamshire.

■ ALEXANDER HOWDEN REINSURANCE BROKERS has appointed Mr Adrian A. Austin and Mr Michael B. Pemberton as directors. They have joined Alexander Howden Aviation.

■ SEARS sports & leisurewear division, which includes Olympus Sport, and Millets Leisure, has appointed Mr Adrian Chamberlain as divisional commercial director. He is business development manager of the parent company. Mr Robert Porter-Smith, merchandise director of Olympus Sport, also becomes a sports & leisurewear divisional director.

Mr Jeoff Samson *(pictured)* has been appointed a non-executive director of MOSS BROS GROUP. He is group managing director of Yale and Valor, and his career includes experience at GEC, STC, and Plessey.

■ Mr Roger Balme has been appointed financial director of the HENRY BOOT GROUP's four subsidiary construction companies. He was chief accountant.

■ DOVERSTAR MACHINERY, Andover, part of Orion Holdings, has appointed Mr Stephen M. Penney as international sales director. He was UK field sales director at Horsell Graphic Industries.

■ BRITISH TELECOM has appointed Mr Michael Bett as chairman of its new advisory forum for Wales. He is managing director, UK operations, and is to become vice chairman in October.

■ Mr Alan Watkins has been appointed finance and resource director at SUPERDRIVE, a Shell company, which operates a service, battery and exhaust replacement chain.

■ HOARE GOVETT GILBERT ELIOTT has appointed as executive directors: Mr Bob Derbyshire in charge of bond sales; Mr Robert Wild, preference share sales; and Mr Sean Baguley, trading. Ms Elaine Milner and Mr David Barker are both appointed executive directors on the origination side. The company is a joint venture established by Security Pacific Hoare Govett and Girozentrale Gilbert Eliott.

■ Mr Robin Bailey has been appointed managing director of NATIONWIDE ANGLIA INDEPENDENT FINANCIAL SERVICES, a subsidiary of the building society, which Mr Bailey joined in 1968. Mr Barry Wycherley has been appointed national sales manager. He was an area financial services director with Nationwide Anglia Estate Agents.

■ CONTINENTAL BANK has appointed Mr Charles Law as managing director of UK corporate finance, based in London. He replaces Mr William Obenshain who is returning to the bank in Chicago. Mr Law was managing director of European debt distribution.

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 071-925-2128

BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
303	209	ANZ SA1	226	−4	44c	1.4	8.8	8.1
229	172	Abbey National 10p	227	+1	5.7	4.3	3.3	9.2
*274	210	Allied Irish Ord	218	+3	Q40%	3.9	4.3	9.4
£13½	£10¾	Algemene Fl.10	£10¾	.....	Q28%	2.1	7.7	6.1
85	63	Anglo Irish	70	+2	‡Q18.7%	2.7	6.3	9.6
95	66	Ansbacher (H.) 1p	88	−2	2.5	1.3	3.8	25.3
£71¾	£54¼	Bancaire Cie Fr100	£57⅞	−⅜	Q12¼%	–	2.3	–
£22¾	£16⅝	Banco Bilbao Viz	£19⅝	.....	Q49.1%	2.7	4.3	12.6
£31	£24¼	Banco de Santander	£29	.....	Q25%	2.4	3.8	10.8
286	214	Bank Ireland Ir£1	223	+3	Q14.7%	2.9	6.2	7.4
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
350	320	Bank Leumi (U.K.)	358	.....	†13.5	–	4.8	–
125	104	Bank Scotland	117	+1	4.55	3.5	5.2	7.8
100½	83½	Do. 9¼pc Irrd Pf	97	−1	9¼%	–	12.7	–
54	39	Bank of Wales	52	.....	2.8	0.8	7.2	25.8
428	352	Barclays £1	397xd	.....	‡19.57	3.5	6.6	5.5
22	12	Benchmark 20p	13	−1	1.63	1.0	16.7	7.5
335	310	Brown Shipley £1	310	.....	12.0	2.2	5.2	10.0
*435	341	Cater Allen £1	366	−1	‡24.5	–	8.9	–
179	112	Chancery	114	.....	9.0	2.7	10.5	4.6
£23¾	£18¾	Commerzbk DM10	£19⅜	−⅜	Q18%	–	3.1	–
£13½	842	Dai Ichi KBk Y50	859	−11	Q17%	●	0.4	●
*£313	£261	Deutsche Bk DM50	£275	−13	Q28%	–	1.7	–
£20¾	£18¼	Espirito Santo	£18½	.....	Q75c	5.1	2.4	–
253	183	First Nat. Fin. 10p	201	+1	13.0	2.1	8.6	6.9
121	96	FNFC 6.3pc Cv. Pf	100	.....	6.3%	–	8.4	–
£13½	890	Fuji Bank Y50	890	−23	Q17%	●	0.4	●
325	262	Gerrard & National	294	.....	19.0	–	8.6	–
154	122	Guinness Mahon 10p	122	.....	2.1	–	2.3	–
328	223	Hambros 20p	258	−5	11.5	–	5.9	–
128	93	Do. 7.5pc Cv Pf	108	−4	7½%	–	9.3	–
53½	42	HK & Shang. HK$2.50	42	−1	‡Q38c	–	6.4	–
478	458	Joseph (Leo) £1	463	.....	15.85	●	4.7	●
150	126	King & Shaxson 20p	140	.....	10.25	–	9.8	–
[illegible]								

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

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MOTORS, AIRCRAFT TRADES – Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST – Contd

INVESTMENT TRUST – Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

MINES – Contd

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
17	11¼	Anglo-Dominion	12	.....	–	–	–
651	260	Bond Intl Gold	384	+20	–	–	–
37	14	Burma Mining 10p	15	.....	–	–	–
44	13	Colby Res Corp	14	.....	–	–	–
122	33	Cons. Murch 10c	33	–1	030c	5.5	23.1
26	4	DRX Inc	5	–1	–	–	–
24½	9½	Ennex Ins. Ir10p	9¼	–⅛	–	–	–
98	55	Europa Minerals 2p	55	.....	1.0	–	2.2
86	30	Geevor	30	.....	–	–	–
45	21	Greenwich Res	21	.....	–	–	–
£10½	£6¾	Hemlo Gold Mines	£7¼	.....	$020c	–	1.5
£14¼	£9¼	Homestake Mining $1	£10¾	+⅛	Q20c	–	1.0
49½	27	Kenmare	29	+½	–	–	–
16	5¼	McFinley Red Lake	5½	.....	–	–	–
20¼	13	New Sabina Res C$1	14	.....	–	–	–
457	264	Northgate C$1	306	+5	–	–	–
39¼	6¼	Nor-Quest Res.	6¼	.....	–	–	–
93	51	Plateau Mining 20p	52	+1	–	–	–
605	501	RTZ 10p	561	+6	18.5	2.8	4.4
14	6	Thorco Res. Inc.	10½	.....	–	–	–
178	148	Young Group 10p	153	.....	7.8	2.7	6.8

THIRD MARKET

NOTES

... Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Craig & Rose £1	830	.....
Finlay Pkg. 5p	53	+2
Holt (Jos) 25p	1310	+5
Carrol (P.J.)	125	–1
Hall (R. & H.)	165	.....
Heiton Hldgs.	76	.....
IRG	195	.....
United Drug	165	.....

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 1991	£98¾	.....
9pc Cap Ln. 1996	£96½	.....
Fin. 13% 97/02	£113½	+1¼
Arnotts	208	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	48
Amstrad	7
Astec (BSR)	6
BAT	62
BOC Grp	48
BTR	37
Barclays	34
Blue Circle	21
Boots	24
Bowaters	40
Brit Aerospace	47
British Steel	13
Brit. Telecom	25
Cadburys	30
Charter Cons	42
Comm Union	41
Courtaulds	29
Eurotunnel	55
FKI	7
FNFC	28
Gen Accident	46½
GEC	13
Glaxo	68
Grand Met	53
Guardian	20
GKN	33
Hanson	20
Hawker Sidd	53
ICI	99
Ladbroke	27
Legal & Gen	34
Lex Service	28
Lloyds Bank	25
Lucas Inds	13
Marks & Spencer	19
Midland Bk	24
Nat West Bk	30
P & O Dfd	52
Polly Peck	39
Racal Elect	29
RHM	30
Rank Org Ord	78
Reed Intnl	38
STC	21
Sears	9
SmKl. Beecham A	48
TI	39
TSB	11
Tesco	19
Thorn EMI	62
Trust Houses	24
T&N	18
Unilever	58
Vickers	19
Wellcome	57

Property	
Brit Land	32
Control Secs	4
Land Securities	45
MEPC	45
Mountleigh	13

Oils	
Aviva Petlm	5
Brit Petroleum	28
Burmah Oil	55
Conroy Petlm	10
Gaelic Res	3½
Premier	9
Shell	40
Tuskar Res	5½
Ultramar	31

Mines	
Lonrho	21
RTZ	58

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by one purchaser. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trust' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ☆ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ● - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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Thornhill Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1000)F

Three Counties Asset Mngmt Ltd (1430)F

Timberlake Trust Mngrs Ltd (0900)F

Touche Remnant Unit Tst Mngt Ltd (1600)F

Trades Union Unit Tst Mngrs (1200)H

Tyndall Unit Tst Mngrs Ltd (1600)F

UK Unit Trust Managers Ltd

UTAM Ltd (1300)F

United Charities Unit Trusts (1600)H

Wardley Unit Tst Mngrs Ltd (1500)H

Waverley Unit Tst Mngmt Ltd (1000)F

Wesleyan Asset Management (1330)F

Whittingdale Unit Tst Mngmt Ltd

Windsor Trust Mngrs Ltd (1200)F

Wright Seligman Fund Mngrs Ltd (1700)F

The Yorkshire Unit Tst Mngrs Ltd (1100)F

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Central Bd. of Fin. of Church of England

Charities Official Inv Fund

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Robert Fleming Asset Mngmt Ltd

Foreign & Colonial Pen Mngt Ltd

Funds in Court

Henderson Unit Trust Management Ltd

Lazard Brothers & Co. Ltd

Local Authorities Mutual Invest. Tst.

M & G Securities Ltd

MIM Ltd

Morgan Grenfell Unit Trust Managers Ltd

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

NM Rothschild Asset Management Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

Touche Remnant Unit Tst Mngt Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

AMEV Life Assurance Ltd

Ambassador Life Assce. Co. Ltd

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

Britannia Life Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Lincoln Ltd

Citicorp British National

City of Edinburgh Life Assurance

City of Westminster Assurance Co

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Commercial Union Group

Cornhill Insurance PLC

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Eagle Star Insurance Co Ltd

Eagle Star Insur/Midland Assur.

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident Linked Life Assce

General Portfolio Life Insur. Plc

Assicurazioni GENERALI SpA

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Imperial Life Assurance Co Ltd

Irish Life Assurance Co Plc

The LAS Group

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

Lifetime Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

Manchester Unity Assurance

ManuLife Group PLC

Merchant Investors Assurance Co Ltd

Mercury Life Assurance Co Ltd

Midland Life Limited

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Life Assurance Ltd

N & P Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Continued on next page

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Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 3JS 0603 683986

	Bid Price	Offer Price	+ or −	Yield Gross
NUAM Funds				
Managed Fund	67.2	70.7	−0.5	–
Stock Market Mngd Fund	65.8	69.3	−0.5	–
Equity Fund	71.8	75.6	−0.3	–
International Fund	60.8	64.0	−0.7	–
European Fund	74.4	78.3	−0.2	–
North American Fund	58.3	61.4	−1.3	–
Pacific Fund	65.6	69.0	−0.6	–
Property Fund	87.1	91.7	----	–
Fixed Interest Fund	51.4	54.2	+0.1	–
Index linked Sec Fund	57.1	60.1	----	–
Deposit Fund	64.0	67.4	----	–
NUAM Retirement Plans				
Mixed Fund	73.1	76.9	−0.6	–
UK Ordinary Share Fd	83.9	88.3	−0.8	–
International Fund	64.4	67.8	−0.7	–
Property Fund	85.7	90.2	----	–
Fixed Interest Fund	60.8	64.0	----	–
Index Linked Sec Fund	60.1	63.3	----	–
Deposit Fund	73.6	77.5	+0.1	–
NUAM (MF)				
Managed Fund	946.8	996.7	−7.0	–
Equity Fund	1966.1	2069.6	−15.1	–
International Fund	160.3	168.8	−2.0	–
Property Fund	550.8	579.8	+0.1	–
Fixed Interest Fund	385.3	405.6	+0.1	–
Index Linked Sec Fund	58.0	61.1	−0.1	–
Deposit Fund	263.2	277.1	+0.1	–

Norwich Union Life Insurance Soc.
Surrey Street, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or −	Yield Gross
Unitised Life				
With Profits Fd	102.98	108.40	+0.03	–
Managed Fd	92.48	97.35	−0.84	–
UK Ord Share Fd	95.01	100.01	−0.89	–
International Fd	89.30	94.00	−1.14	–
European Fd	106.00	111.58	−0.39	–
North American Fd	88.70	93.36	−1.93	–
Pacific Fd	82.68	87.03	−0.73	–
Property Fd	99.98	105.25	+0.02	–
Fixed Int Fd	92.93	97.82	−0.15	–
Intl Bond Fd	87.95	92.58	−0.12	–
Deposit Fd	103.58	109.04	+0.04	–
Unitised Pensions				
With Profits Fd	134.76	141.86	+0.05	–
Managed Fd	147.03	154.77	−1.25	–
UK Equity Fd	155.18	163.35	−1.47	–
International Fd	152.89	160.93	−1.68	–
European Fd	170.67	179.65	−0.65	–
North American Fd	148.54	156.36	−3.24	–
Pacific Fd	122.09	128.51	−1.08	–
Property Fd	155.82	164.02	+0.03	–
Fixed Int Fd	107.71	113.38	+0.04	–
Intl Bond Fd	114.01	120.01	−0.14	–
Bldg Soc Dep Fd	128.52	135.28	+0.05	–
Pensionmaster* & Unit-Linked Plus*				
Mixed Fund	408.6	430.1	+8.1	–
Ordinary Share Fund	612.8	645.1	+16.7	–
International Fund	167.3	176.1	+2.0	–
Property Fund	264.1	278.0	+0.4	–
Fixed Interest Fund	302.9	318.8	+4.5	–
Index-Linked Sec Fund	170.1	179.1	−0.4	–
Deposit Fund	229.5	241.6	+0.7	–
Norwich Units May 15		938.37	----	–
*Prices as at July 17				
Jersey Investment Plan				
With Profits Fund	100.44	105.72	+0.04	–
Intl Equity Fund	91.32	96.13	−1.19	–
Intl Bond Fund	95.22	100.23	−0.04	–

Pearl Assurance (Unit Funds) Ltd
Thorpe Wood, Peterborough PE3 6SA 0733 63812

	Bid Price	Offer Price	+ or −	Yield Gross
Prop. Dist. (Gross)	169.0	177.9	+0.1	–
Prop. Acc. (Gross)	289.7	305.0	----	–
Equity (Gross)	815.6	858.5	−5.8	–
Managed (Gross)	569.3	599.2	−3.4	–
Prop. Acc. (Net)	134.9	142.1	+0.1	–
Equity (Net)	188.1	198.0	−1.2	–
Managed (Net)	173.6	182.8	−1.0	–
Internat'nal (net)	164.8	173.5	−1.4	–
Gilt & Fxd Interest	105.2	110.8	−0.1	–
Money Fund	117.3	123.4	----	–
Pearl Assurance (Unit Linked Fund) Ltd				
Ret Man (Series 1)	580.6	611.2	−1.4	–
Ret Man (Series 2)	196.9	207.3	−0.5	–
Ret Man (Series 3)	131.3	131.3	−0.3	–
Ret Cash	157.9	166.2	+0.1	–
Ret Cash (Series 3)	131.2	131.2	+0.1	–

Providence Capital Life Assc. Co Ltd – Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Individual Pension Funds				
UK Equity Acc	228.4	241.0	−2.2	–
UK Fixed Interest Acc	189.8	200.3	+0.5	–
Intl Equities Acc	254.7	268.7	+0.3	–
UK Managed Acc	186.0	196.2	−0.8	–
Property Acc	212.9	224.6	−0.1	–
Money Acc	144.0	151.9	----	–
Special Market Acc	266.0	280.6	−1.1	–
Japan Equity Acc	188.9	199.3	−1.5	–
North American Acc	121.9	128.6	−2.9	–
Pacific Acc	201.2	212.3	−0.5	–
Technology Acc	166.9	176.1	−0.3	–
Natural Resources Acc	104.1	109.9	−0.2	–
European Acc	146.7	154.8	+0.5	–
Residential Prop Acc	107.0	112.9	----	–
Swiss Equities Acc	41.9	44.3	----	–
Hong Kong Acc	56.5	59.7	−1.1	–
UK High Inc Equ Acc	75.1	79.3	−0.7	–
Int Fixed Interest Acc	53.5	56.5	----	–
Int Managed Acc	61.9	65.2	----	–
Group Pension Funds				
Equity Acc	830.3	876.7	−2.8	–
Fixed Interest Acc	558.8	576.1	----	–
Managed Acc	133.7	136.3	----	–

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or −	Yield Gross
Unit Fund (Mixed)	1058.7	1111.6	−4.9	–
Equity Fund	246.0	258.3	−1.7	–
International Fd	155.7	163.5	−1.6	–
Fixed Interest Fd	155.0	162.8	+0.7	–
Property Fund	229.8	241.3	----	–
Index-Linked Fund	144.4	151.6	+0.5	–
Deposit Fund	152.0	159.6	----	–
Pens Mixed (Ord) Fd	255.8	268.6	−1.0	–
Gold Pensions				
Discretionary Fund		124.6	−0.5	–
Equity Fund		126.4	−0.7	–
Fixed Interest Fund		112.8	+0.1	–
International Fund		119.4	−1.1	–
Property Fund		139.8	----	–
Index-Linked Fund		120.9	+0.3	–
Deposit Fund		128.9	----	–
S & F Consolidation		118.5	+0.1	–
S & F Balanced		132.1	−1.1	–
S & F Maximum Growth		100.8	−0.5	–

Sun Alliance International Life
PO Box 77, New St, St Peter Port, Guernsey 0481 714108

	Bid Price	Offer Price	+ or −	Yield Gross
North American Equity $	$9.37	10.08	----	–
Pacific Equity $	$8.65	9.31	----	–
Intl Currency $	$4.29	4.62	----	–
Intl Bond Fund $	$6.44	6.93	----	–
Gilt Fund £	£3.86	4.16	----	–
US Dollar Mngd Fd $	$1.90	2.05	----	–
Stlg Managed Fd £	£1.18	1.27	----	–

J. D. Ward Financial Services Ltd
9 Kingsway, London, WC2 B6XF 01-836 4321

	Bid Price	Offer Price	+ or −	Yield Gross
Target Mngd Bond	210.1	221.2	−1.7	–
Target Mngd Pension	130.4	137.3	−0.6	–
Albany Life Acc	190.3	200.2	−0.2	–
Albany Pens Acc	243.3	256.1	−0.3	–

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

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OFFSHORE AND OVERSEAS

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

[redacted]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound slide lower

THE DOLLAR and sterling had a softer tone yesterday as Mr Alan Greenspan, chairman of the US Federal Reserve Board, and Mr John Major, the UK Chancellor, gave their views on economic matters. Mr Greenspan was continuing Congressional testimony begun last week, and Mr Major was speaking in an economic debate at the House of Commons, but the main impact on the market at the London close remained concern about equity markets, after Monday's sharp fall in prices.

Nervousness on Wall Street continued to weigh on the dollar and had a follow through impact on the pound, although by the time the currency market closed in Europe share prices in New York and London were showing little overall change. The dollar suffered from the threat that loss of confidence in equities could prompt a cut in US interest rates. This increased demand for the D-Mark, which in turn was reflected in a weakening of sterling against members of the European Monetary System exchange rate mechanism.

Reports that troops were massing on the border between Iraq and Kuwait provided the dollar with some underlying support, but this factor was outweighed by concern about the financial situation.

Mr Greenspan told a House banking subcommittee that US inflation is currently higher than the Federal Reserve would like, but his overall remarks were regarded by some traders as an indication that economic growth has top priority. This prompted speculation that the Fed be prepared to ease its monetary stance again. The Fed did add reserves to the New York banking system yesterday, via two-day system repurchase agreements, when Federal funds were trading at the assumed target rate of 8 per cent. This took the rate down to 7 15/16 per cent, but it was argued that the move was required for technical reasons.

The dollar fell through support at DM1.6250 and DM1.6200 to close in London at DM1.6185 compared with DM1.6280 on Monday. It also declined to FFr5.4275 from FFr5.4600 and to SFr1.3750 from SFr1.3880, but was only slightly weaker at Y148.40 against Y148.45 in terms of the yen. The dollar's index fell to 65.2 from 65.3.

Mr Major said that high interest rates are succeeding in curbing British inflation. Speaking during a Parliamentary debate he remarked that "although the policy is working its job is not yet done". Mr Major added that the inflation rate itself is still too high and it may move a little higher yet before turning down.

Sterling had a weaker tone in London against most currencies except the dollar and yen, and continued to lose ground later in New York. At the London close the pound had gained 40 points to $1.8255, and had advanced to Y271.00 from Y270.50, while declining to DM2.9550 from DM2.9650; to FFr9.9075 from FFr9.9450; and to SFr2.5100 from SFr2.5275. Its index lost 0.1 to 93.7.

£ IN NEW YORK

July 24	Latest	Previous Close
£ Spot	1.8240-1.8250	1.8245-1.8255
1 month	1.13-1.11pm	1.14-1.12pm
3 months	3.05-3.02pm	3.00-2.97pm
12 months	10.00-9.85pm	9.85-9.75pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 24	Previous
8.30 am	93.7	94.0
9.00 am	93.6	94.0
10.00 am	93.6	93.9
11.00 am	93.7	94.0
Noon	93.7	94.0
1.00 pm	93.7	94.0
2.00 pm	93.7	93.8
3.00 pm	93.7	93.9
4.00 pm	93.7	93.8

CURRENCY RATES

July 24	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.740373	0.697903
U.S Dollar	7	1.34659	1.27297
Canadian $	13.32	1.55747	1.47283
Austrian Sch.	6½	15.5114	14.5565
Belgian Franc	10¼	N/A	42.6128
Danish Krone	10½	8.39262	7.87144
Deutsche Mark	6.00	2.20396	2.06846
Neth. Guilder	7.00	2.48513	2.33069
French Franc	10¼	7.39547	6.93708
Italian Lira	13½	1614.43	1514.46
Japanese Yen	5¼	199.699	189.228
Norway Krone	8	8.46197	7.96246
Spanish Peseta	-	134.982	126.686
Swedish Krona	11	7.98999	7.51795
Swiss Franc	6.00	1.88321	1.76180
Greek Drach.	20½	N/A	202.632
Irish Punt	-	N/A	0.771547

† European Commission Calculations.
* All SDR rates are for July 23

CURRENCY MOVEMENTS

July 24	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.7	-13.2
U.S Dollar	65.2	-18.6
Canadian Dollar	104.1	+1.6
Austrian Schilling	109.3	+11.5
Belgian Franc	111.0	-2.6
Danish Krone	110.3	+4.5
Deutsche Mark	118.3	+24.0
Swiss Franc	113.1	+21.3
Guilder	114.1	+15.6
French Franc	104.6	-12.2
Lira	101.4	-18.2
Yen	122.0	+52.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for July 23.

OTHER CURRENCIES

Jul 24	£	$
Argentina	8995.00 - 9474.00	5155.00 - 5195.00
Australia	2.3225 - 2.3245	1.2730 - 1.2740
Brazil	122.65 - 124.00	67.30 - 67.90
Finland	6.9270 - 6.9400	3.8030 - 3.8060
Greece	287.20 - 291.80	157.70 - 160.20
Hong Kong	14.1425 - 14.1555	7.7630 - 7.7650
Iran	124.50*	68.10*
Korea(Sth)	1294.80 - 1315.69	712.80 - 718.40
Kuwait	0.52780 - 0.52820	0.28980 - 0.28990
Luxembourg	60.85 - 60.95	33.30 - 33.40
Malaysia	4.9225 - 4.9345	2.7055 - 2.7075
Mexico	5234.50 - 5237.75	2872.00 - 2873.00
N.Zealand	3.0655 - 3.0700	1.6825 - 1.6835
Saudi Ar	6.8290 - 6.8335	3.7495 - 3.7505
Singapore	3.3005 - 3.3080	1.8155 - 1.8165
S.Af (Cm)	4.7370 - 4.7485	2.6055 - 2.6070
S.Af (Fn)	7.0345 - 7.1730	3.8610 - 3.9370
Taiwan	49.45 - 49.55	27.15 - 27.20
U.A.E.	6.6860 - 6.6925	3.6715 - 3.6735

* Selling rate

EURO-CURRENCY INTEREST RATES

Jul 24	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15 - 14¾	15 - 14⅞	15 - 14⅞	15 - 14⅞	14⅞ - 14⅝	14⅝ - 14⅜
US Dollar	8⅛ - 7⅞	8⅛ - 7⅞	8⅛ - 7⅞	8⅛ - 8	8⅛ - 8	8¼ - 8⅛
Can. Dollar	13¼ - 13	13⅜ - 13⅛	13½ - 13¼	13⅜ - 13⅛	13⅛ - 12⅞	13 - 12¾
D. Guilder	8⅛ - 8⅛	8⅜ - 8⅛	8⅛ - 8	8⅜ - 8¼	8⅝ - 8½	8⅞ - 8¾
Sw. Franc	8¾ - 8½	8¾ - 8½	9 - 8¾	8⅞ - 8¾	8⅞ - 8¾	8⅞ - 8¾
Deutschmark	8⅛ - 7⅞	8⅛ - 7⅞	8⅜ - 8¼	8⅜ - 8¼	8⅞ - 8¾	8¾ - 8⅝
Fr. Franc	10⅛ - 10	10 - 9⅞	9⅞ - 9¾	9⅞ - 9¾	10⅛ - 9⅞	10⅜ - 10¼
Italian Lira	13 - 11	12¼ - 11¼	11½ - 11	11½ - 11	11⅝ - 11¼	11⅝ - 11⅜
Belgian Franc	9¾ - 9½	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝
Yen	7⅜ - 7¼	7⅜ - 7¼	7⅜ - 7¼	7⅜ - 7¼	7⅞ - 7¾	7⅞ - 7¾
D.Krone	10⅝ - 10⅜	10⅝ - 10½	10¼ - 10⅛	10⅜ - 10¼	10⅛ - 10	10⅛ - 10
Asian $Sing	8⅛ - 7⅞	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅛ - 8	8¼ - 8⅛

Long term Eurodollars: two years 8⅜-8¼ per cent; three years 8½-8⅜ per cent; four years 8¾-8⅝ per cent; five years 9-8⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT - FORWARD AGAINST THE POUND

Jul 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8190 - 1.8260	1.8250 - 1.8260	1.12-1.10cpm	7.30	3.04-3.01pm	6.63
Canada	2.1050 - 2.1115	2.1095 - 2.1105	0.32-0.23cpm	1.56	0.86-0.69pm	1.47
Netherlands	3.32½ - 3.34½	3.32½ - 3.33½	2⅛-1⅞cpm	7.21	5½-5¼pm	6.46
Belgium	60.70 - 61.20	60.85 - 60.95	37-25cpm	6.11	95-75pm	5.58
Denmark	11.24½ - 11.29½	11.27¾ - 11.28¾	5⅛-4⅛orepm	4.99	13⅝-12pm	4.56
Ireland	1.1015 - 1.1075	1.1015 - 1.1025	0.48-0.42cpm	4.90	1.28-1.15pm	4.41
W. Germany	2.95¼ - 2.96½	2.95¼ - 2.95¾	1⅞-1⅝pfpm	7.36	4¾-4½pm	6.43
Portugal	258.60 - 260.90	259.70 - 260.70	100-77cpm	4.08	193-135pm	2.52
Spain	180.45 - 181.90	180.45 - 180.75	4-5cdis	-0.30	13-1pm	0.16
Italy	2161 - 2171½	2161½ - 2162½	8-5lirepm	3.61	20-17pm	3.42
Norway	11.41 - 11.43¾	11.41 - 11.42	4⅛-3⅛orepm	4.34	11⅛-10pm	3.72
France	9.90¼ - 9.94½	9.90¼ - 9.91¼	4⅝-4⅛orepm	5.37	12⅛-11⅛pm	4.77
Sweden	10.73½ - 10.78½	10.77 - 10.78	3-2⅛orepm	2.99	6⅞-5⅝pm	2.37
Japan	270¼ - 271¼	270¼ - 271¼	1⅞-1⅝ypm	6.92	4¾-4½pm	7.01
Austria	20.76 - 20.86	20.78 - 20.81	12⅛-11⅞gropm	7.11	35⅛-33⅛pm	6.62
Switzerland	2.50½ - 2.52½	2.50½ - 2.51½	1⅞-1⅝cpm	6.27	3⅞-3⅝cpm	5.58
ECU	1.4385 - 1.4385	1.4305 - 1.4315	0.64-0.61cpm	5.24	1.65-1.60pm	4.54

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.80-5.75cpm. 12 Month 10.00-9.90cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8190 - 1.8260	1.8250 - 1.8260	1.12-1.10cpm	7.30	3.04-3.01pm	6.63
Ireland†	1.6470 - 1.6550	1.6550 - 1.6560	0.38-0.33cpm	2.57	1.03-0.93pm	2.37
Canada	1.1555 - 1.1575	1.1555 - 1.1565	0.54-0.57cdis	-5.76	1.49-1.55dis	-5.26
Netherlands	1.8240 - 1.8345	1.8230 - 1.8240	par-0.02cdis	-0.07	0.05-0.08dis	-0.14
Belgium	33.30 - 33.50	33.30 - 33.40	0.05-6.50cdis	-1.18	4-14dis	-1.08
Denmark	6.17½ - 6.19	6.17¼ - 6.18¼	1.10-1.35oredis	-2.38	2.90-3.60dis	-2.10
W. Germany	1.6160 - 1.6275	1.6180 - 1.6190	par-0.02pfpm	0.07	0.06-0.09dis	-0.19
Portugal	142.40 - 142.65	142.45 - 142.55	70-85cdis	-6.53	200-230dis	-6.04
Spain	99.30 - 99.65	99.35 - 99.45	57-61cdis	-7.12	161-169dis	-6.64
Italy	1186½ - 1191	1184¼ - 1184¾	3.30-4.00liredis	-3.70	9.30-10.30dis	-3.31
Norway	6.24¼ - 6.26	6.25 - 6.25½	1.45-1.70oredis	-3.02	4.40-4.90dis	-2.97
France	5.42½ - 5.45¼	5.42½ - 5.43	0.84-0.91cdis	-1.93	2.50-2.62dis	-1.89
Sweden	5.89½ - 5.91¼	5.90 - 5.90½	2.10-2.25oredis	-4.42	6.25-6.60dis	-4.35
Japan	148.20 - 148.80	148.35 - 148.45	0.08-0.06ypm	0.57	0.15-0.12pm	0.36
Austria	11.41 - 11.44½	11.44 - 11.44½	0.05-0.45grodis	-0.26	0.80-1.90dis	-0.47
Switzerland	1.3735 - 1.3885	1.3745 - 1.3755	0.10-0.13cdis	-1.00	0.29-0.34dis	-0.92
ECU	1.2730 - 1.2768	1.2745 - 1.2755	0.22-0.21cpm	2.02	0.67-0.65pm	2.07

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 24	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.6128	+1.06	+0.62	±1.5508
Danish Krone	7.79845	7.87144	+0.94	+0.50	±1.6453
German D-Mark	2.04446	2.06846	+1.17	+0.73	±1.1762
French Franc	6.85684	6.93708	+1.17	+0.73	±1.3618
Dutch Guilder	2.30358	2.33069	+1.18	+0.74	±1.5272
Irish Punt	0.763159	0.771547	+1.10	+0.66	±1.6689
Italian Lira	1529.70	1514.46	-1.00	-1.44	±1.5162
Spanish Peseta	132.889	126.686	-4.67	-4.66	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 24	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.826	2.955	271.0	9.908	2.510	3.330	2162.	2.110	60.90
$	0.548	1	1.618	148.4	5.426	1.375	1.824	1184	1.156	33.35
DM	0.338	0.618	1	91.71	3.353	0.849	1.127	731.6	0.714	20.61
YEN	3.690	6.738	10.90	1000.	36.56	9.262	12.29	7978	7.786	224.7
F Fr.	1.009	1.843	2.982	273.5	10.	2.533	3.361	2182	2.130	61.47
S Fr.	0.398	0.727	1.177	108.0	3.947	1	1.327	861.4	0.841	24.26
H Fl.	0.300	0.548	0.887	81.38	2.975	0.754	1	649.2	0.634	18.29
Lira	0.463	0.845	1.367	125.3	4.583	1.161	1.540	1000.	0.976	28.17
C $	0.474	0.865	1.400	128.4	4.696	1.190	1.578	1025	1	28.86
B Fr.	1.642	2.998	4.852	445.0	16.27	4.122	5.468	3550	3.466	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
81	[illegible]	[illegible]	[illegible]	[illegible]
82	[illegible]	[illegible]	[illegible]	[illegible]
83	[illegible]	[illegible]	[illegible]	[illegible]
84	[illegible]	[illegible]	[illegible]	[illegible]
85	[illegible]	[illegible]	[illegible]	[illegible]
86	[illegible]	[illegible]	[illegible]	[illegible]
87	[illegible]	[illegible]	[illegible]	[illegible]
88	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 810 Puts 460
Previous day's open int. Calls 21982 Puts 18629

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 70 Puts 0
Previous day's open int. Calls 2140 Puts 2066

LIFFE BUND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 4741 Puts 2924
Previous day's open int. Calls 48540 Puts 45129

LIFFE EUROMARK OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9075	[illegible]	[illegible]	[illegible]	[illegible]
9100	[illegible]	[illegible]	[illegible]	[illegible]
9125	[illegible]	[illegible]	[illegible]	[illegible]
9150	[illegible]	[illegible]	[illegible]	[illegible]
9175	[illegible]	[illegible]	[illegible]	[illegible]
9200	[illegible]	[illegible]	[illegible]	[illegible]
9225	[illegible]	[illegible]	[illegible]	[illegible]
9250	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 2201 Puts 2710
Previous day's open int. Calls 11391 Puts 16301

LIFFE EURODOLLAR OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 115 Puts 15
Previous day's open int. Calls 3972 Puts 3388

LIFFE SHORT STERLING OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 6172 Puts 2735
Previous day's open int. Calls 61300 Puts 61737

LONDON (LIFFE)

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Open	Sett. price	Change	High	Low	Yield	Open int.
September	90.18	90.18	+0.02	90.19	90.14	9.82	13,274
December	90.20	90.20	+0.02	90.21	90.16	9.80	3,595
March	90.22	90.21	+0.02	90.22	90.20	9.79	1,880
June	90.20	90.20	-	90.20	90.19	9.80	118

Estimated volume 5,584 Total Open Interest 18,827

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
July	1998.0	1990.0	-5.0	2007.0	1983.0	4,712
August	2008.0	2001.0	-5.0	2018.5	1996.0	2,408
September	2018.0	2018.0	+2.0	2018.0	2018.0	260
December	-	-	-	-	-	0

Estimated volume 5,844 Total Open Interest 7,480

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8255	1.8144	1.7952	1.7677	1.7260

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.8042	1.8072	1.8016	1.8076
Dec	1.7730	1.7788	1.7730	1.7794
Mar	1.7548	1.7548	1.7540	1.7590

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd.	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat Bk. of Kuwait	15		

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MONEY MARKETS

Rates little changed

INTEREST RATES in London of late have shown virtually no reaction to outside factors, such as nervousness in equity markets.

Recent UK economic news has been reasonably encouraging and the pound is relatively strong on the foreign exchanges, but inflationary pressure means that no change is expected in UK bank base rates for several months.

Three-month interbank was quoted at 14 29/32-14 27/32 per cent yesterday against 14 15/16-14 7/8 on Monday, and 12-month money was 14½-14 7/16 per cent compared with 14½-14⅜.

Short sterling futures on Liffe lost most of Monday's gains, as some funds attracted into fixed interest investments by the fall in share prices on Wall Street moved back into equities. December short sterling opened lower at 86.19 and traded in a narrow range, before closing at 86.20 against 86.27 previously.

Credit remained in fairly short supply on the money market. The Bank of England forecast a day-to-day shortage of £750m. Total assistance of £625m was provided.

Before lunch the authorities bought £464m bank bills in band 2 at 14¾ per cent. In the afternoon another £161m bank bills were purchased, in band 1 at 14⅞ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £568m, with Exchequer transactions absorbing £130m and bank balances below target £75m. These outweighed a fall in the note circulation adding £45m to liquidity.

In Frankfurt call money was steady at 7.95 per cent. Credit conditions remained tight after around DM5bn of "Section 17" money was drained from the market. This was public sector money recently diverted into the banking system by the Bundesbank, to ease liquidity problems.

The central bank will have an opportunity to pump more money into the market today if required. A 28-day securities repurchase agreement tender has been offered at variable bid rates, and dealers are looking for the Bundesbank to at least replace DM17bn draining from the market as an earlier facility expires.

Banks reserve holdings at the Bundesbank rose to DM59.1bn from DM54.8bn on Friday, to average DM60.3bn for the first 22 days of July. The central bank has set an average requirement of DM59.7 for the whole month.

UK clearing bank base lending rate 15 per cent from October 5

FT LONDON INTERBANK FIXING

(11.00 a.m. July 24) 3 months US dollars		6 months US Dollars	
bid 8	offer 8⅛	bid 8	offer 8⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	10	One month	7.13	Three year	8.21
Broker loan rate	9¼	Two month	7.60	Four year	8.28
Fed.funds	8	Three month	7.75	Five year	8.32
Fed.funds at intervention	-	Six month	7.80	Seven year	8.47
		One year	7.86	10-year	8.51
		Two year	8.10	30-year	8.58

July 24	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.90-8.00	7.95-8.10	7.95-8.10	8.05-8.20	8.20-8.40	8.00
Paris	10-10⅛	9¾-9⅞	9 13/16-9 15/16	9 13/16-9 15/16	9 15/16-10 1/16	9.50
Zurich	7⅜-8⅛	8⅝-9	-	8⅝-9	-	-
Amsterdam	7.68-7.81	8.09-8.10	-	8.15-8.25	-	-
Tokyo	7 13/16-7⅞	7 13/16-7⅞	-	7 13/16-7⅞	-	-
Milan	11⅛-11½	11⅛-11¼	-	11½-12	-	-
Brussels	8.05	9⅛-9¼	-	9⅛-9¼	-	-
Dublin	10¼-10⅜	10⅝-10¾	10⅝-10¾	10⅝-10¾	10⅞-10⅞	-

LONDON MONEY RATES

Jul 24	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15	15	15	15	14⅞	14½
Interbank Bid	13½	14¾	14⅞	14⅞	14¾	14⅜
Sterling CDs	-	-	14 15/16	14 15/16	14 13/16	14 15/32
Local Authority Deps.	14½	14 15/16	14 15/16	14 27/32	14 25/32	14⅜
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15	14⅞	14¾	14½	-	-
Company Deposits	-	-	14 31/32	14 31/32	14 13/16	14½
Finance House Deposits	-	-	14 15/16	14 15/16	14 13/16	14½
Treasury Bills (Buy)	-	-	14 13/16	14 13/16	-	-
Bank Bills (Buy)	-	-	14 13/16	14 11/16	13 13/16	-
Fine Trade Bills (Buy)	-	-	15⅛	14 31/32	14 13/16	-
Dollar CDs	-	-	8.03	8.03	8.05	8.15
SDR Linked Dep. Offer	-	-	8⅞	9	9⅛	9⅜
SDR Linked Dep. Bid	-	-	8¾	8⅞	9	9¼
ECU Linked Dep. Offer	-	-	9⅞	10⅛	10 3/16	10 5/16
ECU Linked Dep. Bid	-	-	9¾	10	10 1/16	10 3/16

Treasury Bills (sell); one-month 14 13/32 per cent; three months 14 11/32 per cent; six months 13¾ per cent; Bank Bills (sell); one-month 14 13/32 per cent; three months 14⅞ per cent; Treasury Bills; Average tender rate of discount 14.3188 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 29, 1990. Agreed rates for period July 25, 1990 to August 25, 1990, Scheme I: 15.84 p.c., Schemes II & III: 16.25 p.c. Reference rate for period June 1, 1990 to June 29, 1990, Scheme IV&V: 15.025 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from July 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

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MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	CAR	Int Cr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

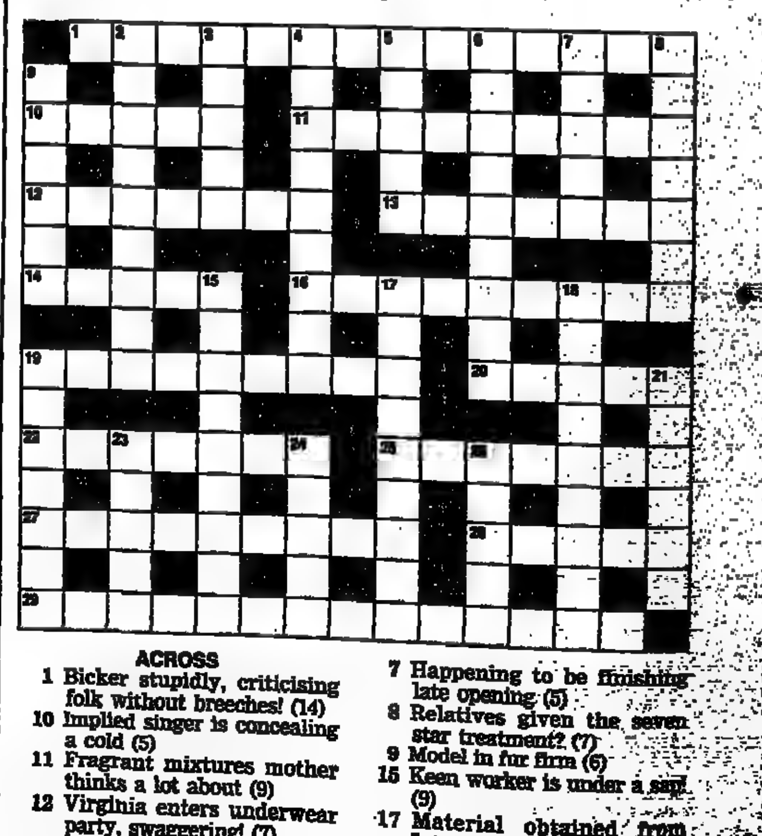
Money Market Bank Accounts

	Gross	Net	CAR	Int Cr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JOTTER PAD

CROSSWORD

No.7,298 Set by GRIFFIN



ACROSS
1 Bicker stupidly, criticising folk without breeches! (14)
10 Implied singer is concealing a cold (5)
11 Fragrant mixtures mother thinks a lot about (9)
12 Virginia enters underwear party, swaggering! (7)
13 Letter from sweetheart in Fortune Street (7)
14 Eject wild civet (5)
16 Machine unserviceable – pop in a new part first (9)
19 Slice food bit by bit (9)
20 Oriental jazz fan left during applause (5)
22 Admitting nothing, curses broken springs (7)
25 Former Parliamentarian accepted beer sample (7)
27 Exceptionally green outgoing person (9)
28 Ought to be in fancy flat overhead (5)
29 Broadcast "Bread", in new version, being forgetful (14)

DOWN
2 Can't Irene manage some fruit? (9)
3 Top tailor in firm volunteers to provide surplice (5)
4 Spying cooked pies on time (9)
5 Starts eating banger before dessert (5)
6 Grice once trained as a caretaker (9)
7 Happening to be finishing late opening (5)
8 Relatives given the seven star treatment? (7)
9 Model in fur firm (6)
15 Keen worker is under a sap (9)
17 Material obtained from Interpol yesterday (9)
18 Help poor person after Lawrence's call (9)
19 Dope pedlars put girl's cat outside (7)
21 Taste tea brewed in it, by agreement (6)
23 Mid-July retreat of cunning extremist (5)
24 Char swallows apple core and stalk (5)
25 One can always count on them! (5)

Solution to Puzzle No.7,297

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | MALAYSIA | SINGAPORE | JAPAN

[illegible]

CANADA

TORONTO

Closing prices July 23

[illegible]

MONTREAL

Closing prices July 23

[illegible]

Total Sales 4,371,481 shares.

INDICES

NEW YORK DOW JONES

	July 23	July 20	July 19	July 18	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
ϕIndustrials	2904.70	2961.14	2993.81	2981.68	2999.75 (16/7)	2543.24 (30/1)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	90.91	90.94	91.00	91.00	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1136.13	1159.31	1172.63	1171.53	1212.77 (6/6)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	200.20	202.15	203.55	203.53	236.23 (2/1)	200.20 (23/7)	236.23 (2/1/90)	10.50 (8/4/32)

ϕDay's High 2961.39 (3019.33) Low 2893.17 (2951.71)

STANDARD AND POOR'S

	July 23	July 20	July 19	July 18	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	355.31	361.61	365.32	364.22	368.95 (16/7)	322.98 (30/1)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	420.79	428.69	433.20	431.53	437.37 (16/7)	371.92 (30/1)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	28.05	28.51	28.83	29.02	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	194.22	197.65	199.38	198.83	201.15 (16/7)	178.43 (30/1)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	354.92	360.45	361.84	362.06	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	444.64	455.28	458.18	460.82	469.60 (16/7)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Jul 20	Jul 13	Jul 6	year ago (approx.)
Dow Industrial Div. Yield	3.64	3.62	3.71	3.47

	Jul 18	Jul 11	Jul 4	year ago (approx.)
S & P Industrial div. yield	2.87	2.90	2.92	3.17
S & P Indl. P/E ratio	17.29	17.13	17.00	12.05

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
McDonalds	4,214,900	33	- 3
Wal-Mart Stores	3,575,000	32½	- 1
Philip Morris	3,295,700	49	- 1¼
Gen Electric	3,294,600	72½	- 1¼
Boeing	2,528,800	56	- 2
Baxter Intl	2,297,500	26	- ⅝
Exxon	12,160,900	47⅞	- ⅛
Chase Manhattan	2,154,500	20	- ⅛
IBM	2,143,300	115⅞	- 1⅞
Upjohn	2,133,200	41¼	- 1⅞

TRADING ACTIVITY

† Volume (Millions)	July 23	July 20	July 19
New York	209.030	180.547	161.990
Amex	14.135	18.266	11.498
NASDAQ	168.879	174.577	182.563
Issues Traded	2,016	1,995	1,991
Rises	225	577	612
Falls	1,409	904	853
Unchanged	382	514	526
New Highs	13	51	31
New Lows	122	42	48

CANADA TORONTO

	July 23	July 20	July 19	July 18	1990 HIGH	1990 LOW
Metals & Minerals	3285.00	3310.92	3307.86	3296.25	3453.05 (4/1)	2850.80 (23/4)
Composite	3548.20	3577.68	3574.94	3580.80	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1852.48	1868.96	1865.43	1865.04	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	July 24	July 23	July 20	July 19	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1587.0	1598.4	1601.5	1607.4	1713.7 (12/1)	1434.5 (25/4)
All Mining (1/1/80)	775.2	776.2	777.9	780.9	868.8 (5/1)	711.7 (2/7)
AUSTRIA						
Credit Aktien (30/12/84)	672.08	679.98	672.25	670.58	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	6312.13	(c)	6311.18	6266.34	6599.43 (12/1)	5568.16 (25/3)
DENMARK						
Copenhagen SE (3/1/83)	386.99	387.58	388.29	387.77	388.29 (20/7)	352.96 (25/4)
FINLAND						
Unitas General (1975)	536.8	536.3	534.8	533.4	677.3 (23/1)	532.7 (17/7)
FRANCE						
CAC General (31/12/82)	530.98	536.22	536.89	537.42	564.62 (30/5)	482.94 (26/2)
CAC 40 (31/12/87)	1995.61	1990.04	2030.60	2023.31	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	818.31	825.01	826.83	832.32	832.32 (19/7)	732.71 (24/1)
Commerzbank (1/12/53)	2355.90	2376.40	2386.40	2402.50	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1921.16	1938.04	1947.43	1957.24	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3495.87	3559.89	3540.43	3523.58	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1643.23	1644.13	1664.22	1660.05	1893.10 (22/1)	1582.61 (2/5)
ITALY						
Banca Com. Ital. (1972)	726.95	737.06	745.45	745.17	763.52 (14/6)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	31702.46	31894.79	32421.52	33055.62	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2304.59	2329.92	2363.43	2393.08	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	4329.23	4360.11	4399.56	4384.89	4477.16 (16/7)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	625.23	(c)	625.79	628.53	631.13 (17/7)	518.53 (2/5)
NETHERLANDS						
CBS Tril.Rtn.Gen.(End 1983)	267.9	268.7	271.9	270.3	271.9 (20/7)	240.1 (26/2)
CBS All Shr (End 1983)	199.5	200.1	202.5	201.3	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (Ind) (2/1/83)	866.33	865.88	862.39	858.15	866.33 (24/7)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	886.12	882.08	883.16	880.48	1160.70 (21/3)	740.31 (6/6)
SINGAPORE						
SES All-Singapore (2/4/75)	441.95	444.74	443.03	443.36	446.87 (16/7)	401.34 (30/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1548.0	1532.0	1501.0	1521.0	2230.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2963.0	2955.0	2948.0	2953.0	3211.0 (6/2)	2794.0 (25/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	679.67	681.38	694.64	693.44	928.82 (4/1)	679.67 (24/7)
SPAIN						
Madrid SE (30/12/85)	301.55	299.98	305.17	303.50	309.74 (16/7)	248.17 (2/4)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1306.2	1315.6	1319.6	1318.3	1329.9 (5/7)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	809.8	818.9	827.1	826.3	845.5 (13/7)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	5271.61	4991.42	5194.39	5013.05	12495.34 (10/2)	4524.55 (5/7)
THAILAND						
Bangkok SET (30/4/75)	1130.86	1133.54	1131.44	1107.68	1133.54 (23/7)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	526.0	532.9	538.1	571.0 (4/1)	466.3 (2/4)

**Saturday July 21: Taiwan Weighted Price: 5299.56, Korea Comp Ex. 686.69

& Subject to official recalculation.

Apr6 Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday July 24 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsui MngSmel	13.8m	858	+30	Chuetsu Pulp	5.1m	1,000	+41
Fuji Heavy Ind	12.1m	780	-8	Nippon Steel	4.6m	536	-10
Nippon Oil	11.2m	1,480	+40	MHI	4.3m	855	-26
Hitachi	6.9m	1,410	-20	Kurabo Ind	3.9m	1,080	-20
Teikoku Oil	5.7m	1,370	+70	Sumitomo Mtl Mng	3.7m	1,580	+30

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible] Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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2pm prices July 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
37½	19	AAR	.48	2.3	13	154	21⅞	21⅝	21⅝	−⅛
9⅝	8	ACM n	1.01	12.		44	8½	8½	8½	
11⅝	9⅜	ACMIn	1.26	13.		346	10⅛	10	10	−⅛
9⅛	7¾	ACM M	n1.01	12.		197	8⅛	8	8⅛	+⅛
12⅞	10	ACMMM				66	11⅞	11¼	11⅞	−⅛
11⅛	9⅞	ACM Sc	1.26	13.		291	10	9⅞	10	+⅛
9⅞	8⅛	ACMSp	1.01	12.		365	8⅛	8¼	8⅛	
24⅝	14⅞	AL Lab	.16	.7	20	85	22¼	22	22	
6⅜	2⅛	AM Intl				177	2½	2⅜	2⅜	−⅛
23⅛	10⅛	AM In pf	2	16.		28	12⅞	12⅞	12⅞	−⅛
107¼	52½	AMR			13	4926	58⅝	57¼	57⅜	−1⅛
4⅞	3	ARX				220	3¼	3⅛	3⅛	
72⅜	41⅞	ASA	3a	6.5		611	46⅛	46	46	−⅝
45⅝	30⅜	AbtLab	s.84	2.0	21	5821	43⅞	42⅞	42⅞	−⅞
15½	11¼	Abitibi g	.50			20	13⅛	13	13⅛	
12⅞	7	AcmeC	.40	5.7	8	112	7⅛	7	7	
9⅜	7¼	AcmeE	.32	3.8	10	11	8½	8½	8½	
49⅞	28⅜	Acuson			27	635	46⅞	45½	45½	−½
18⅞	14⅛	AdaEx	2.08e	13.		31	16⅛	16	16⅛	−⅛
15⅞	10	Adobe				222	12	11⅝	12	+⅜
11⅝	6⅞	AMD			28	6494	7⅛	6⅞	6⅞	−⅛
32⅛	28¼	AMD pf	3	10.		4	29	29	29	
10⅛	3⅛	Advest	.16	4.1	46	70	4	3⅞	3⅞	
62½	45¼	AetnLf	2.76	5.5	9	1347	50⅝	49⅝	49⅞	−½
15⅜	9⅜	AfilPb	.24	2.4		1387	10⅛	9⅞	10	−⅛
25	18⅛	Ahmans	.88	4.5	8	652	19⅞	19½	19⅝	−⅛
3⅝	1⅞	Aileen				51	2⅝	2⅝	2⅝	−⅛
61	43⅛	AirPrd	1.44	2.6	14	622	55	54⅛	54⅛	−1⅛
28⅞	14⅞	AirFrt s			14	470	25⅛	24⅞	24⅞	−⅛
25⅛	15½	Airgas			30	78	19½	19⅛	19⅛	−⅜
20⅜	18½	Airlease	2.52	14.	9	11	18½	18⅛	18½	−⅛
10⅛	9⅛	AlaP	dpf.87	9.3		18	9⅜	9⅜	9⅜	
107	102	AlaP pf	11	10.		z60	105¼	105¼	105¼	
91	84¼	AlaP pf	8.28	9.6		z30	86½	86½	86½	
30½	19⅛	AlskAir	.20	1.0	10	292	21½	20⅞	21	−½
23½	13⅛	Albany n	.35	2.6	12	175	13⅜	13½	13⅜	+⅛
27⅞	20	Alberto	s.20	.8	21	165	25	24½	25	−⅛
22⅛	15⅜	AlCulA	s .20	1.0	16	77	19⅜	19⅝	19⅝	−⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 35

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
27¼	18	Wynns	.60	2.8	14	201	21¾	21½	21½	- ¼
		- X - Y - Z -								
56½	43¾	Xerox	3	6.6	7	2175	46⅛	45	45⅝	- ⅛
47⅝	44½	Xerox pf				19	47¼	47¼	47¼	+1¼
34	20⅝	XTRA	.48a	2.3		4	20⅝	20⅝	20⅝	
4	1½	Zapata				377	1⅝	1⅝	1⅝	
11⅝	6	Zemex				3	6	6	6	
17⅝	6⅞	ZenithE				728	7⅛	d 6⅝	7⅛	+ ⅛
21⅝	15½	ZenNtl	.80	5.3	9	88	15⅛	15	15	- ⅛
9⅝	5⅝	Zenix	.90	15.		120	6⅛	6	6	
18½	12⅞	Zero s	.40	2.8	15	128	14⅝	14½	14½	- ⅛
51⅛	34½	Zurn	.76	1.7	20	340	47⅛	46	46	-1⅝
12⅝	10⅝	Zweig	1.21e	11.		254	11⅝	11⅛	11⅛	- ⅛
10	9	ZweigTl	.96	11.		657	9⅛	9⅛	9⅛	- ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2pm prices July 24

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
PlyGem	.12	14	41	7⅝	7⅝	7⅝	
PrcCom			62	3⅛	3⅛	3⅛	
ProMed	.42a	9	1	4⅞	4⅞	4⅞	- ⅛
[illegible]							

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NASDAQ NATIONAL MARKET

2pm Prices July 24

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
Wolv wt		94	4	3⅝	3⅝	
Worthg	.60	17 274	23⅛	22⅞	22⅞	- ½
Wyman	.50	68	13½	13	13	
		-X-Y-Z-				
XL Da		7 636	13½	12¾	12¾	-1
XOMA		1282	24⅝	24⅛	24⅝	+ ⅛
Xicor		476	3	2⅞	2⅞	- ⅛
YanEnS	1.52e	12 11	20	19½	20	+ ½
YelowF	.76	49 837	28⅛	27½	27½	- ⅛
YorkRs		22 932	15½	14⅞	15	+ ⅛

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FINANCIAL TIMES
Wednesday July 25 1990

AMERICA

Higher crude prices help New York to stabilise

Wall Street

A JUMP in oil company shares as crude prices rose helped keep the Dow Jones Industrial Average steady early in the session yesterday. Then selling pressure re-emerged only to be followed by fresh buying, *writes Janet Bush in New York.*

At 2 pm, the Dow was quoted only 8.66 lower at 2,896.04 on heavy volume of 114m shares. The Dow had closed 56.44 lower on Monday at 2,904.70. After half an hour of morning trading, the Dow had made a small gain but then started sliding. At one stage in late morning, the index stood nearly 30 points lower but then started to recover.

The broad market was also lower with the Standard & Poor's 500 index quoted 2.89 down at midsession at 352.42 and the Nasdaq Composite still under considerable pressure, falling 4.43 to 440.21.

Mr Newton Zinder, technical strategist at Shearson Lehman Hutton, said that he took little comfort from the fact that the Dow had rebounded from a loss of 107 points on Monday. He said that this rebound might give the market a little breathing space, but that secondary indices remained a real problem. Their rebound from their Monday lows was minimal, so they were still in danger of falling further, he said.

Oil and oil service companies benefited from higher crude oil prices before this week's Opec meeting and on the news that Iraq has been massing troops on the Kuwait border.

Among oil issues, several of which received positive comments from Wall Street analysts, Mobil added $1⅛ to $66⅝, Chevron gained $1⅛ to $78 and Exxon jumped $1⅛ to $49⅞. Among oil services companies, Schlumberger gained $2 to $65⅛ and Halliburton jumped $2⅛ to $53⅜.

Positive performances in the oil sector were balanced by heavy selling of companies reporting disappointing earnings. Dow Chemical, the second largest US chemicals concern, slumped $5⅝ to $52⅛ after reporting a 50 per cent drop in earnings compared with a year ago.

Morgan Stanley slumped $6¼ to $66 after reporting a near halving of its net income in the second quarter compared with the same quarter a year ago. Ingersoll-Rand was another casualty of poor earnings, dropping $4⅞ to $53.

There were, however, some positive earnings stories. Suave Shoe jumped $2⅛ to $13⅞, Borden Chemicals and Plastics rose $⅛ to $10⅞ and Harsco gained $⅝ to $24.

Student Loan Marketing Association (Sallie Mae) lost another $3⅛ to $46⅝. Sallie Mae fell sharply on Monday; it is one of the largest creditors of Higher Education Assistance Foundation (HEAF), the leading US guarantor of student loans which is in severe financial difficulty. Troubles at HEAF were cited as a reason for the plunge in the equity market on Monday.

Milton Roy, a manufacturer of measuring equipment and systems, jumped $3⅛ to $26⅞ after Sundstrand, which already holds a 15 per cent stake in the company, submitted a $28-a-share takeover offer.

Canada

TORONTO stocks were flat in listless trade, consolidating after Monday's sharp loss. The composite index shed 4.1 to 3,544.1 on volume of 10.8m shares. Declines led advances by 202 to 176.

Oil shares firmed as Iraq massed troops along its border with Kuwait. Imperial Oil climbed C$⅝ to C$58⅝, Ranger Oil rose C$⅛ to C$7⅞ and Saskatchewan Oil firmed C$⅛ to C$13⅞.

Northern Telecom lost C$1⅛ to C$31⅛ after reporting second-quarter earnings of 37 cents per share after 29 cents.

Among active industrials, Bank of Nova Scotia rose C$⅛ to C$14⅞, Laidlaw slipped C$½ to C$25⅞, Nova Corp firmed C$⅛ to C$8⅛ and Canadian Pacific was flat at C$20⅛.

Paris slides nervously into a dry summer

The outlook for interest rates and company profits is not rosy, writes William Dawkins

A WEAK and nervy Paris stock market has continued its gentle slide into the summer, with the CAC 40 index now standing at 1,995.61, 4.4 per cent below its level at the beginning of June.

It has been a hard time for stockbrokers, who have had to share out meagre volumes of about FFr2.5bn ($459m) a day, concentrated on one or two leading shares. Accordingly, nobody was surprised when Tuffier et Associés, a leading independent broker, threw in the towel and filed for bankruptcy, the first major collapse since de-regulation. Pessimists fear that this may be only the first in a long overdue shake-out for the Paris broking fraternity.

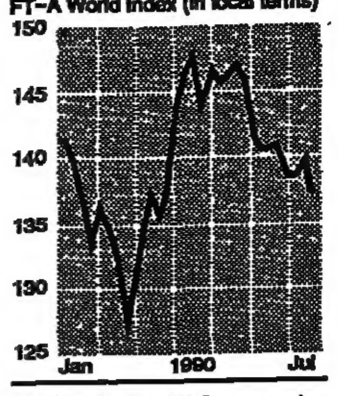
French stockbrokers place some of the blame for the midsummer gloom on interest rates. Two cuts in base rates triggered an 11 per cent rise in the stock market in April, which some analysts now believe was a bit over-enthusiastic. Since then, the franc has bumped along at the bottom of the EMS, limiting the scope for further rate reductions.

Mr Pierre Berégovoy, the Finance Minister, tried to inject a little cheer by announcing last week that he thought France was ready for another rate cut. Since then, officials have stressed that this is a long-term idea and that the stock market should expect nothing in the immediate future.

Paris is said to be particularly sensitive to interest rates because it has an unusually large base of institutional investors who, at a moment's notice, can switch large amounts of cash between equities and bonds. They can hardly be blamed for choosing bonds today, currently yielding up to 10 per cent at the long end, as against 2.9 per cent for equities. Even so, most brokers believe the gloom is only short term. "We think the equity market is well positioned, even if it does look a little expensive compared to bonds," says Mr Antoine Brunet, economic forecaster for Crédit Lyonnais.

France

FT-A World Index (in local terms)



On top of the pressure from interest rates, the outlook for corporate profits looks less than bright. Bacot Allain, the brokers, is now looking for average earnings per share growth of about 6 per cent from France's top quoted companies this year, as against the 14 per cent it was forecasting last November. This leaves Paris on a p/e of 12 on current year's earnings, falling to just under 11 on 1991 forecast earnings – rather cheaper than West Germany, on a current p/e of 15.25.

Other dampeners on enthusiasm in the Paris stock market have been the exchange rate losses and damage to export competitiveness caused by the franc's strength against the yen and the dollar. The franc has risen by 20 per cent against the Japanese currency and 12 per cent against the dollar since the turn of the year, although Bacot Allain expects the damage to be mainly confined to the first half. Groupe Rossignol, the world's largest ski maker, is the latest casualty, with its forecast last week of larger-than-expected losses because of the impact of the franc's strength on US and Japanese sales.

Furthermore, there is a growing realisation among investors that some of the leaders of France's recent international takeover spree will have to spend heavily to digest their acquisitions. Michelin, the tyre group, Rhône-Poulenc, the chemicals producer, and Saint-Gobain in glass and tubes are among the companies thought to be suffering earnings dilution as a result of their international expansion.

In this nervous environment, the most sought-after companies are likely to have relatively strong balance sheets and a predictable earnings outlook – companies like Générale des Eaux, BSN and Compagnie Générale d'Electricité – predicts Mr Joe Hall, Bacot Allain's head of securities.

He adds: "We suspect that the announcement of first-half results will be the buying opportunity for those companies where the outlook for 1991 is better than 1990, for example Rhône-Poulenc and Pechiney."

EUROPE

Oil shares rise as bourses show resilience

MOST bourses showed resilience yesterday to Wall Street's overnight drop, although Milan fell more than most. Oil stocks were firm across the Continent on expectations of higher oil prices, *writes Our Markets Staff.*

FRANKFURT closed lower but weathered the feared storm after Wall Street's plunge on Monday better than many had expected. The drop in prices was across the board, which prompted some bargain-hunting. Turnover rose to DM6.3bn from DM5.3bn. Tha FAZ index, calculated at midsession, slipped 6.7 to 818.31 while the DAX fell 16.88, or 0.9 per cent, to 1,921.16 after reaching 1,926.45 in the first half hour.

Wall Street apart, political uncertainty in East Germany, weak domestic bonds and fears that rising oil prices would push up West German inflation also weighed on the market.

The banking sector, which is about to report first half results, led the market lower. Commerzbank, which is holding its press conference today, fell DM3.50 to DM283.50, while Dresdner Bank, which reports its figures on July 30, dropped DM7.70 to DM453. Deutsche, which is not holding a press conference but will post its results to shareholders, fell DM6.50 to DM814.50.

Mr Thomas Albrecht at UBS Phillips and Drew said that some slowing in second-quarter earnings could be expected after the first quarter when commission income was boosted by the buoyant equity market at the start of the year. Furthermore, investment in East Germany would lead to an increase in costs.

Bayerische Vereinsbank bucked the trend, adding DM2 to DM441, on foreign buying. The stock has been in demand in recent weeks as London brokers have highlighted the bank's revaluation potential in view of its stakes in Allianz and Munich Re.

PARIS rose slightly on the first day of the new monthly account, after fluctuating gently in index-related trading after the previous day's fall.

The CAC 40 index, which dropped 2 per cent on Monday as Wall Street plummeted, closed 5.57 up at 1,995.61, after hitting a day's high of 2,000.06 and a low of 1,984.83. Turnover was estimated at FFr2bn to FFr2.5bn, after Monday's FFr2.9bn, amid continued unease about New York.

Some shares, however, gave a more encouraging performance. Eurotunnel gained FFr2.40 to FFr53.40 in active trading of 986,000 shares; the stock has been rising gradually since the recent buy recommendation by SG Warburg.

Oil stocks advanced on expectations of higher oil prices as Iraq moved troops to the Kuwait border and before this week's Opec meeting. Elf Aquitaine was up FFr12 at FFr708 with 177,500 shares traded, BP France rose FFr7 to FFr144, Esso France added FFr25 to FFr739, Total gained FFr6 to FFr707 and Total's refining subsidiary, Raffinage, jumped FFr12 to FFr229.

Salomon, the ski and golf equipment company, dropped FFr100 to FFr1,520 in Lyon as staff went on strike.

AMSTERDAM surprised participants with its muted response to Wall Street's fall. They had been expecting the worst after stocks which are traded in the evening fell about 1½ per cent on Monday night. Many investors, looking for a home for their cash, placed limited orders for second-line quality stocks, which immediately rebounded.

In general, however, trading was thin as the market prepared for the first-half reporting season, starting with Akzo on August 2. The CBS Tendency index closed 0.6 down at 120.3, above the low of 120.0.

Among the multinationals, Royal Dutch and Akzo were steady at Fl 147.60 and Fl 116 respectively. In the second-liners, Elsevier firmed 40 cents to Fl 93.60 while Bührmann-Tetterode added 20 cents to Fl 75.

MADRID recovered after the previous day's losses, with the general index gaining 1.57 to 301.55. Telefónica rose Pta21 to Pta964 with 1.8m shares traded after its first-half results the previous day. Repsol gained Pta75 to Pta2,775 on 287,354 shares, in line with rises by other oil stocks.

MILAN fell sharply for the second day after Wall Street's weakness and on continued jitters about Lombardfin, which is said to have to liquidate part of its portfolio to repay its bank creditors before the July accounts settlement deadline on July 31. The Comit index fell 10.13 or 1.4 per cent to 726.93 in modest turnover.

Fiat, which held an analysts' meeting, fell L144 to L8,755 and lost a further L35 after hours. CIR, which said it was temporarily withdrawing its capital increase proposal for publisher Mondadori, lost L125 to L4,960.

ZURICH was unable to shake off Monday's depression, and the Crédit Suisse index lost 6.5 or 1 per cent to 662.3.

Chemical stocks declined, with Sandoz registered shares SFr200 lower at SFr10,850 and its bearers losing SFr100 to SFr11,250. Roche bearers dropped SFr150 to SFr8,050. Union Bank bearers shed SFr120 to SFr3,690 after the bank announced a fall in first-half profits on Monday.

STOCKHOLM fell after the previous day's plunge on Wall Street, but trading was thin. The Affärsvärlden General index lost 10.4 to 1,305.2 in turnover of about SKr188m.

Ericsson free B shares fell SKr18 to SKr1,323, while Electrolux free Bs recovered from early losses to end unchanged at SKr259. Volvo free Bs slipped SKr4 to SKr350.

OSLO ended lower although higher prices for North Sea crude pushed up oil stocks. The all-share index dipped 1.93 to 639.59. Norsk Hydro, which publishes first-half results tomorrow, gained NKr1.5 to NKr203 and Saga free shares rose NKr4 to NKr148.

BRUSSELS closed mixed as Wall Street's fall dampened the mood of market players returning from the long weekend holiday. But Petrofina, the oil company, was strong, adding BFr250 to BFr12,225. Wagons-Lits slumped BFr1,750 to BFr10,500 on reports of a cease-fire in the battle for control of the company.

ISTANBUL reached its third consecutive high, fuelled by good company news. The 50-share market index rose 169.42 to 4,729.42.

ASIA PACIFIC

Late index-linked buying helps Nikkei cut losses

Tokyo

TOKYO MANAGED to keep its nerve in the face of Wall Street's sharp overnight fall, but high interest rates continued to plague the market and share prices finished lower yesterday for the third day running in quiet trading, *writes Michiyo Nakamoto in Tokyo.*

Shares opened weaker as the Nikkei fell more than 200 points. Towards the close, the index moved down to a low for the day of 31,504.30 but, just before trading ended, index-linked buying by a leading securities firm helped to reduce the session's loss to 192.33. The Nikkei finished at 31,702.46, after hitting an intraday high of 31,924.03.

Declines led gains by 774 to 205, while 144 issues were unchanged. Turnover remained low, at 350m shares, although higher than Monday's 300m. The Topix index of all listed stocks weakened 25.33 to 2,304.59 but, in London trading, the ISE/Nikkei 50 index edged up 0.70 to 1,715.23.

Caution was the watchword as interest rates remained high and overseas markets looked weak. "Investors had decided to call it a day at the very beginning," said Mr George Nimmo at SBCI Securities.

While the yen has firmed against the dollar, it has been weak against both sterling and the D-Mark. Another reason for wariness was a report in a leading newspaper that major banks would raise their long-term prime lending rates from August 1.

Bond prices remained relatively stable, prompting bargain hunting. But news in the afternoon that Iraq was assembling its military forces on the border with Kuwait gave further cause for concern and sparked off selling, which took the Nikkei to its intraday low just before the close.

Selling continued to be particularly concentrated in issues burdened by high interest rates. Tokyo Electric Power dropped below Y4,000 to Y3,940, a loss of Y60, and Nomura Securities fell Y40 to Y2,110.

The resource sector provided the only bright spot yesterday, reflecting hopes that oil prices would rise after the Opec meeting due to start tomorrow. Nippon Oil rose Y40 to Y1,490 and was the third most actively traded stock with 11.2m shares.

The strength of oils spilled over to other resource issues. Mitsui Mining and Smelting topped the actives list with 13.3m shares and put on Y30 to Y858. Sumitomo Metal Mining rose Y30 to Y1,560. They were also supported by news of a strong gold rally in London and expectations of higher resource prices.

Widespread selling of most stocks other than those in the resource sector in Osaka left the OSE average 497.64 down at 35,541.08. Turnover rose slightly to 28m shares.

Roundup

THE ONLY significant gain in the Asia Pacific region yesterday was in Taiwan, which made a technical bounce after its recent weakness. Other markets were lower, but only modestly so, after Wall Street's sharp fall on Monday.

TAIWAN rebounded by 5.6 per cent, almost erasing Monday's losses, with banking and small-capital stocks leading the recovery. The weighted index, which fell 308.14 on Monday, rose 280.19 to 5,271.61 in turnover of T$59.9bn, down from the previous day's T$90.2bn.

HONG KONG reacted to Wall Street's retreat with a 1.8 per cent fall. The Hang Seng index, which has been rallying for several weeks, lost 64.02 to 3,495.87, but ended above the day's low of 3,480. Turnover was HK$2.59bn.

AUSTRALIA weakened in thin trading, but dealers were encouraged by the market's performance after Wall Street's plunge. The All Ordinaries index lost 11.4 to 1,587.0 in turnover of 61m shares. The firm bullion price lifted golds.

NEW ZEALAND also showed some resilience in the face of falls on Wall Street and in Tokyo, although share prices ended lower in quiet trading. The Barclays index dropped 30.75 to 1,848.07. Investors stayed away before the Government's Budget announcement, which came after the market had closed.

SEOUL slipped to another year's low in thin turnover as investors remained cautious after the resignation of opposition politicians on Monday. The composite index fell 1.71 to 679.67 in trading worth Won70bn, up from Monday's Won49.5bn. Buying by institutions, particularly the stock market stabilisation fund, was outweighed by selling by individual investors.

SINGAPORE eased in light trading after the declines on Wall Street and in Tokyo, with the Straits Times Industrial index off 11.32 at 1,554.06. Volume remained low at S$119m, against S$122m on Monday.

BANGKOK rallied from a sharp early fall as bargain hunters trimmed the SET index's loss from 19 points to 2.68. The index closed at 1,130.86 after active trading.

BOMBAY was shut for a second day to enable brokers to complete business done in the last two weeks. The demand for a new wage deal by brokers' staff which had caused the delay had now been settled, said exchange officials. Trading was due to resume today.

SOUTH AFRICA

JOHANNESBURG's gold shares rose again on the back of the higher bullion price, but trading was quiet. The JSE Gold index gained 16 to 1,548 and the overall index rose 18 to 3,104. Southvaal picked up R2 to R117.50.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JULY 23 1990								FRIDAY JULY 20 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (80)	148.54	−0.2	120.90	139.39	125.73	126.21	−0.2	5.52	148.91	121.67	140.15	127.04	126.47	158.31	125.85	138.51
Austria (19)	282.74	+2.1	230.13	265.32	239.31	239.21	+1.4	1.21	276.83	226.19	260.66	236.18	235.94	295.63	193.15	124.60
Belgium (61)	156.27	+1.0	127.20	146.63	132.26	129.10	+0.0	4.49	154.66	126.37	145.55	131.94	129.10	160.02	132.11	129.10
Canada (119)	139.26	−0.8	113.35	130.67	117.86	116.67	−0.8	3.48	140.39	114.71	132.18	119.76	117.56	153.61	130.37	146.22
Denmark (33)	272.96	+0.3	222.19	256.16	231.06	230.19	−0.2	1.25	272.22	222.43	256.22	232.25	230.66	272.98	236.69	206.98
Finland (26)	135.59	+0.8	110.36	127.24	114.76	108.86	+0.5	2.52	134.45	109.86	126.55	114.71	108.34	152.29	129.99	141.22
France (124)	160.07	−1.1	130.29	150.20	135.47	137.09	−1.9	2.99	161.86	132.25	152.33	138.08	139.77	168.65	141.69	125.88
West Germany (92)	142.33	+0.6	115.85	133.58	120.47	120.47	−0.2	1.87	141.51	115.62	133.21	120.73	120.73	142.39	122.05	94.80
Hong Kong (48)	147.49	+0.6	120.05	138.40	124.84	147.00	+0.6	4.27	146.61	119.79	137.99	125.09	146.18	147.49	112.24	102.88
Ireland (17)	189.29	−0.6	154.07	177.62	160.21	161.84	−1.5	2.71	190.38	155.56	179.19	162.42	164.37	198.57	172.72	148.46
Italy (96)	107.14	−0.4	87.21	100.53	90.68	95.36	−1.2	2.46	107.59	87.91	101.26	91.79	96.56	109.26	91.85	88.68
Japan (454)	149.51	−1.1	121.69	140.30	126.56	140.30	−1.4	0.60	151.21	123.55	142.32	129.02	142.32	197.26	124.40	179.48
Malaysia (35)	249.65	+0.1	203.36	234.44	211.47	260.24	+0.0	2.08	249.67	204.00	234.98	213.00	260.24	250.69	204.15	189.20
Mexico (13)	557.35	+1.5	453.65	523.01	471.74	1751.87	+1.6	0.30	548.87	448.48	516.61	468.27	1724.41	557.35	324.53	284.98
Netherland (43)	146.22	−0.6	119.02	137.21	123.76	122.33	−1.4	4.61	147.04	120.15	138.40	125.45	124.02	147.04	130.43	124.82
New Zealand (17)	69.80	−0.5	56.82	65.51	59.08	62.31	−0.7	7.04	70.17	57.33	66.05	59.87	62.75	75.36	59.57	66.75
Norway (23)	253.03	+0.8	205.95	237.44	214.17	215.25	+0.4	1.47	251.13	205.20	236.36	214.26	214.40	253.03	202.34	189.02
Singapore (25)	206.81	+0.3	168.33	194.07	175.04	172.74	+0.1	2.09	206.14	168.43	194.03	175.87	172.61	209.24	179.70	165.94
South Africa (60)	182.45	+1.9	148.51	171.21	154.42	166.71	+1.5	3.79	179.06	146.31	168.53	152.76	154.41	251.39	170.00	146.43
Spain (42)	179.52	−1.1	146.12	168.47	151.96	135.66	−1.9	4.05	181.57	148.36	170.90	154.91	138.31	182.25	132.84	150.83
Sweden (34)	230.01	+0.0	187.21	215.84	194.68	201.23	−0.4	2.01	229.96	187.89	216.44	196.19	202.13	232.74	173.89	177.68
Switzerland (68)	108.87	+0.1	88.99	100.29	90.46	91.96	−1.3	2.25	106.61	87.27	100.54	91.13	93.13	109.77	88.75	86.36
United Kingdom (303)	173.37	−1.2	141.11	162.67	146.73	141.11	−1.5	4.83	175.40	143.32	165.06	149.63	143.32	178.16	139.87	151.16
USA (539)	143.41	−1.8	116.73	134.58	121.39	143.41	−1.8	3.39	146.03	119.32	137.46	124.59	146.03	148.95	130.61	135.84
Europe (981)	155.71	−0.5	126.74	146.12	131.80	129.23	−1.2	3.58	156.57	127.93	147.37	133.58	130.81	156.66	135.57	125.76
Nordic (116)	218.32	+0.2	177.70	204.87	184.78	180.04	−0.2	1.68	217.78	177.95	204.98	185.80	180.42	218.32	165.01	170.07
Pacific Basin (659)	149.26	−1.0	121.49	140.07	126.34	139.72	−1.3	0.92	150.82	123.23	141.96	128.68	141.57	192.75	124.63	175.04
Euro−Pacific (1640)	152.29	−0.8	123.95	142.89	128.89	136.12	−1.3	2.02	153.56	125.47	144.53	131.01	137.87	174.16	130.35	155.44
North America (658)	143.07	−1.7	116.45	134.26	121.11	141.65	−1.7	3.40	145.59	118.96	137.05	124.23	144.15	148.43	131.02	136.37
Europe Ex. UK (678)	143.53	−0.1	116.83	134.71	121.51	121.68	−1.0	2.73	143.74	117.45	135.32	122.66	122.90	143.74	124.81	109.73
Pacific Ex. Japan (205)	145.47	+0.1	118.40	136.53	123.14	129.40	+0.1	4.75	145.36	118.77	136.83	124.02	129.33	146.72	122.53	121.82
World Ex. US (1832)	152.38	−0.8	124.03	143.00	128.98	136.06	−1.2	2.08	153.60	125.51	144.59	131.05	137.75	173.77	131.30	155.10
World Ex. UK (2068)	145.62	−1.1	118.53	136.66	123.27	138.12	−1.4	2.25	147.28	120.34	138.64	125.67	140.08	162.00	130.80	146.81
World Ex. So. Af. (2311)	147.87	−1.2	120.36	138.77	125.17	138.24	−1.4	2.51	149.60	122.23	140.82	127.64	140.25	161.84	131.95	147.20
World Ex. Japan (1917)	148.82	−1.1	121.13	139.68	125.98	137.56	−1.4	3.52	150.53	123.00	141.70	128.46	139.52	151.59	134.62	132.02
The World Index (2371)	148.08	−1.1	120.53	138.96	125.35	138.37	−1.4	2.52	149.78	122.38	140.98	127.79	140.35	162.05	132.25	147.19

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Markets closed July 23: Belgium and Malaysia. Latest prices were unavailable for this edition.

البنك السعودي الامريكي
Saudi American Bank

FINANCIAL HIGHLIGHTS
UNAUDITED AS OF JUNE 30, 1990

	June 30 1990 SR '000	June 30 1989 SR '000
Assets		
Cash and Due from Banks	13,511,740	11,423,682
Loans and Advances (net)	6,637,426	6,170,278
Other Assets	7,887,010	5,514,507
	28,036,176	23,108,467
Liabilities and Shareholders' Funds		
Customer Deposits	21,137,454	18,320,191
Due to Banks and Other Liabilities	4,715,429	2,967,357
Shareholders' Funds	2,183,293	1,820,919
	28,036,176	23,108,467
Contra Accounts	25,267,268	24,263,408
Statement of Earnings		
Operating Revenue	470,484	420,879
Less: Operating Expenses	(182,820)	(179,990)
Total Operating Income	287,664	240,889
Transfer to Reserves	(34,124)	(54,025)
Net Income for the six months ended June 30, 1990.	253,540	186,864

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